هكذا من الأصل

FINANCIAL TIMES

Memphis, Tennessee

Can't live with Elvis, can't live without him

Page 3

Learning German

Going back to language school

Page 2

Stephen Roach

Productivity claims for IT are 'just a myth'

Information Technology, Page 8

Mobile phones

Spectacular potential attracts big players

Page 11

World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 13 1997

Versace family to reorganise fashion group

The family of murdered Italian fashion house founder Gianni Versace want to restructure the group in the wake of last month's killing. Santo, who took over as chief after his younger brother was gunned down, will ask shareholders to consider proposals to merge three companies under his control – Modifin, Istante Versa and Alias – into the Versace group. Page 13

Indian music mogul murdered: Indian film producer and music magnate Gulshan Kumar was shot dead in Bombay as he left a temple. Police said organised crime groups were behind the killing. Page 6

Chubais budget pledge: Russian first deputy prime minister Anatoly Chubais promised next year's budget would be the toughest since reforms began, with further spending cuts and a targeted primary deficit – excluding debt service – of 0.43 per cent of GDP. Page 2

UK inflation surges: Inflation leapt in the UK last month as food, motoring and mortgage costs drove the annual increase in retail prices to its highest for almost two years. Official figures showed a rise of 3.3 per cent in the year to July. Page 8

War crimes suspect dead: Alleged Nazi war criminal Szymon Serafinowicz died aged 86. A jury decided in January that Mr Serafinowicz, who lived in south-east Britain, was mentally unfit to face murder charges and the case against him collapsed.

Norway's far right advances: Norway's far right Progress party is positioned to become the country's second-largest party, according to a Norsk Gallup poll, and may have enough support to knock out prime minister Thorbjoern Jagland's flagging Labour party in next month's elections.

Emergency landing: A British Airways jet from Saudi Arabia to London made an emergency landing in Cyprus when an eight-month-old girl fell seriously ill on board. The baby was being treated in Larnaca and the aircraft flew on to London.

US eyes LatAm military market: US military aircraft makers are set for their first sales pitches in Latin America for more than 20 years. A White House decision to lift a ban on high-technology arms sales to the region came just in time for Lockheed Martin and McDonnell Douglas to compete in a bid to supply Chile's air force. Page 12

De Beers names new chief: Nicky Oppenheimer is to become the third generation of his family to head world diamond giant De Beers, South Africa's biggest company. The group's interim results were well below expectations and its shares shed R8 to close at R163 ($35.50). Page 13

Vatican bank scandal man dies: Former Vatican bank official Luigi Mennini, implicated in Italy's biggest post-war banking scandal, has died aged 86. In 1987 Italian prosecutors accused Mennini, US archbishop Paul Marcinkus and another bank official of fraud in the collapse of Banco Ambrosiano, Italy's largest private bank.

Lithuanian ex-minister accused: Lithuanian ex-defence minister Audrius Butkevicius was arrested and accused of accepting a $15,000 bribe for promising to use his influence in a criminal investigation, a Russian news agency reported.

Pressure grows on Israel to ease curbs:

Benjamin Netanyahu (right) met US special envoy Dennis Ross as the Israeli prime minister came under mounting pressure to lift restrictions imposed on Palestinians after last month's suicide bombing. The meeting came as thousands of Palestinians marched in the West Bank town of Nablus in protest at the curbs. Page 4

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

US offered haven to Karadzic, claims rival

By Guy Dinmore in Banja Luka, Bosnia

Mrs Biljana Plavsic, the embattled president of the Serb-controlled half of Bosnia, has claimed that her hardline rival, Mr Radovan Karadzic, turned down a US offer of refuge in a third country to avoid prosecution for war crimes by the UN tribunal in The Hague.

Mrs Plavsic's comments are likely to embarrass the Clinton administration, which has repeatedly demanded in public that Mr Karadzic, Mrs Plavsic's predecessor, he put on trial.

Mrs Plavsic said in an interview on Monday that the proposal had been put to ber by Mrs Madeleine Albright, the US Secretary of Stste, during a meeting at Banja Luka in north-west Bosnia on June 2. "She said that within two weeks they expected me to tell the media that Radovan Karadzic bad left Republika Srpska and that I didn't know where he was," Mrs Plavsic said.

The Bosnian Serb president travelled to Mr Karadzic's heavily guarded headquarters in Pale, near Sarajevo, to relay tbe US offer, but sbe was quickly rebuffed.

"I'm really sorry he lost this chance. I think this kind of offer would be reasonable ... His reaction was full of animosity against me," she said, adding that she was against turning over Mr Karadzic to The Hague.

The UN tribunal has charged Mr Karadzic with committing genocide and crimes against bumanity during the Bosnian war. Despite his removal from public office, he continues to dominate Bosnian Serb politics, and the international community sees him as the main obstacle to implementing the US-brokered accord that ended the 1992-95 war.

Mrs Plavsic said Mrs Albright had not revealed where Mr Karadzic would go. Diplomats said rumours circulating in Sarajevo bad mentioned Greece, Ukraine and Russia as possible havens.

His voluntary disappearance would avoid the need for a dangerous Nato operation to capture him.

The US embassy in Sarajevo said it was not aware of any such offer to Mr Karadzic by a US official, while the State Department said its policy on seeking the prosecution of all war criminals in The Hague remained unchanged.

Mrs Albright's offer appeared to he the "last chance" for Mr Karadzic, Mrs Plavsic said. Mr Richard Holbrooke did not repeat it during his visit to Banja Luka. Mr Holbrooke, the architect of the Dayton accord that ended the Bosnia war, was briefly recalled into service last week by President Bill Clinton.

Mr Momcilo Krajisnik, the hardline Serh member of the joint Bosnian presidency, gave a commitment to Mr Holbrooke that Mr Karadzic would finally disappear from Bosnian politics under an agreement hrokered by the US envoy a year ago. However, Mr Holbrooke said he had insisted tbat Mr Karadzic should be brought to justice.

The United States and its European allies have thrown their support behind Mrs Plavsic in her power struggle with Mr Karadzic and Mr Krajisnik.

Continued on Page 12

Changing of the guards' headgear: the traditional uniform

British army may be outflanked on bear necessities

By George Parker, Political Correspondent

Canada's hrown bears conld be spared the indignity of ending up on top of the heads of British soldiers, under a government move to pbase ont the traditional bearskin hat.

Lord Gilbert, the animal-loving defence minister, has told the army to look urgently at synthetic alternatives to the higb-rise ceremonial headgear, which is worn by tbe guards at Buckingham Palace.

The edict will come as a bitter blow to guards regiments, which fear that fake fur could prove to be a sartorial disaster during ceremonial duties. Previous experiments with synthetic hats made the guards tbe laughing stock of tbe army.

"When it rained the bats becama rather bedraggled – like a bad hair day," said an army spokesman.

"They were also subject to static electricity, wbich was rather embarrassing when they passed under pylons."

Despite the resistance of the guards, Lord Gilbert insists the development of a fake bearskin should not be beyond the wit of military scientists.

"It is a fact that Lord Gilbert has a personal interest in animal rights issues, and be has asked the army to provide the rationale for the use of bearskins," said a defence ministry spokesman.

"They have tried different options before, bnt the army dress committee is prepared to considar any specific new materials that could be used."

Lord Gilbert, whose wife Jean is a member of the fund-raising committee of the Worldwide Fund for Nature, has a record of pntting animal welfare at the forefront of defence policy. During his time as a defence minister in the Labour governmeot in the 1970s, he introdnced a ban on nsing sperm whale oil as a lubricant.

The bearskin hat was been worn by regiments including tbe Grenadier, Coldstream and Scots guards since the battle of Waterloo in 1815.

The raw material comes from the Canadian hrown bear, and the fur is then dyed black.

Innit hunters cull the bears under terms agreed by the Canadian government. The army said yesterday that tha bears would be culled anyway, and that no bears died specifically to provide tourists with attractive pbotograpbs of guards at Buckingham Palace.

"Only a relatively small number of new bats are made each year," a spokesman said. "A lot of them are regularly refurbisbed and some of them are 20 years old."

Lord Gilbert's initiative dismayed Mr Iain Duncan-Smith, tbe shadow social security minister and a former captain in the Scots guards.

"When we tried synthetic hats they frizzed up like Afro hairstyles," he said.

"I suppose the guards could parade outside the Palace with open neck shirts and gold medallions, hnt I'm not sure the tonrist hoard wonld approve."

Khatami tries to compromise on Iran cabinet

By Roula Khalaf and Robin Allen

Mr Mohammed Khatami, Iran's new president, yesterday submitted to parliament a 22-man cabinet list that strikes a delicate halance between hardline and moderate pressures within tbe Iranian regime.

The May election of an outward-looking leader raised hopes in the west for more stable policy-making in Iran. But in the first test of his presidency, Mr Khatami opted largely for compromise with hardliners and with the conservative-dominated majlis (parliament), which confirms cabinet appointments. The 270-member assembly will deliver its verdict on the cabinet by August 20. "Khatami has not been particularly liberal in his choices," a western diplomat in Tehran said. "But neither has he been bulldozed by the hardlinars."

Other western officials were encouraged by the appointment of newcomers to the ministries of interior, intelligence, foreign affairs and culture and Islamic guidance.

Mr Khatami's most controversial choice is Mr Ataollah Mohajerani, the new minister of culture and Islamic guidance, who has been the target of conservativa attacks. Mr Mohajerani has called for more social tolerance and has gone as far as to once suggest direct talks with the US. "There will be rumblings about Mohajerani in the majlis," said a diplomat.

Mr Abdollah Nouri, listed as the interior minister is also viewed as a moderate. Mr Nouri was the reformist candidate for the post of speaker of parliament hut was defeated last year by Mr Ali Akbar Nateq Nouri, the hardliner who ran against Mr Khatami in the presidential elections.

Mr Kamal Kharazi, ambassador to tbe United Nations since 1989, is proposed as foreign minister to replace Mr Ali Akbar Velayati. But foreign policy remains the domain of Ayatollah Ali Khamenei, Iran's supreme leader, and tbe national security council.

Mr Kharazi's immediate challenge is to deal with the

Continued on Page 12
Oil output task, Page 4
Observer, Page 11

Striking United Parcel Service workers picketing the company's main depot in New York yesterday. UPS'a managemant and the International Brotherhood of Teamsters, the union leading the strike, accused each other of bad faith. Report, Paga 12 Reuter

Hoechst to spin off fibres arm in Indonesian venture

By Graham Bowley in Frankfurt

Hoechst, Europa's higgest chemicals and pharmaceuticals group, is spinning off its struggling European polyester textile fibres husiness into a joint venture with an Indonesian partner.

The move, which comes amid tough conditions in the European textiles industry, is the latest step in a radical reorganisation at Hoechst which has transformed it from a sprawling chemicals giant into a group focused on life science businesses.

Hoechst said yesterday it had signed a letter of intent with Multikarsa Investama, an Indonesian holding company which owns the Texmaco Group. Multikarsa would bold the controlling stake but the beadquarters for the joint venture would be in Germany. Hoechst said it was likely to retain a 40 per cent stake.

The Texmaco Group is active in polyester, textile technology, financial services, iron and steel casting, plant engineering and fahrication, machine tools and car components. Hoechst said the joint venture wonld take over plants in Germany, Denmark and Portugal, as well as the Trevira trademark.

The gronp's textile fibres business outside Europe would not be affected.

Hoechst's European textile fibres business last year had sales of about DM800m ($435m) and has a workforce of about 2,400. With recent cost-cutting it had returned to profitability, the company said.

The move comes amid a slump in the European textile fibres industry which has been hit by competition, largely from Asia, where local producers have preferred to use local fibre suppliers.

Hoechst said it viewed the formation of a joint venture as the best way to protect and expand long-term its textile polyester business in Europe.

Hoechst has signalled that most of its restructuring, which included the sale of companies such as SGL Carbon, the successful carbon and graphite products manufacturer, is now complete. Last December, it agreed to merge its specialty cbemicals operations witb Clariant of Switzerland. It is still considering floating Messer, its two-thirds-owned industrial gases and welding unit.

In a bid to boost the company's value, its individual divisions have become legally independent companies operating under the strategic management of Hoechst.

Last month Hoechst announced it would list its shares on the New York stock Exchange in September.

The restructuring has been welcomed hy investors, triggering a sharp rise in its share price over the last two years. Yesterday, the shares closed down 70 pfennigs at DM82.50

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	8,050.50	(-11.61)
NASDAQ Composite	1,596.19	(+9.45)
Europe and Far East		
CAC40	2,998.57	(+15.13)
DAX	4,363.09	(+29.96)
FTSE 100	5,075.8	(+43.9)
Nikkei	19,099.11	(+274.93)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.301%
Long Bond	97¼
Yield	6.596%

OTHER RATES

UK: 3-mo Interbank	7⅛%	(same)
UK: 10 yr Gilt	101⅔	(101⅓)
France: 10 yr OAT	98.33	(99.51)
Germany: 10 yr Bond	102.46	(102.24)
Japan: 10 yr JGB	106.438	(106.670)

NORTH SEA OIL (Argus)

Brent Dated	$18.57	(18.23)

GOLD

New York: Comex		
(Aug)	$326.7	(328.2)
London:		
close	$326.05	(327.55)

DOLLAR

New York: lunchtime		
£	1.57815	
DM	1.86575	
FFr	6.288	
SFr	1.527	
Y	116.185	
London:		
£	1.5783	(1.5907)
DM	1.8624	(1.8544)
FFr	6.2790	(6.2468)
SFr	1.5257	(1.5223)
Y	115.95	(115.735)
Tokyo close:	Y 115.90	

STERLING

DM	2.9395	(2.9497)

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Hostile reception to spending cut plans expected from Russian opposition MPs

Chubais promises toughest budget

By John Thornhill in Moscow

Mr Anatoly Chubais, Russia's first deputy prime minister, yesterday promised that next year's budget would be the toughest since reforms began, with further cuts in spending and a targeted primary deficit – which excludes debt service – of just 0.43 per cent of gross domestic product.

"It will be a tough budget and I think this may turn out to be a surprise for some," he said.

In his additional role as acting finance minister, Mr Chubais has been determined to get a grip on Russia's runaway public finances, which have reaulted in delayed wage payments to millions of soldiers and federal employees.

The government is presenting the 1998 budget as the best opportunity to inject tougher financial disciplines into the economy, stimulating the first real growth this decade.

The annual inflation rate is projected to fall to 5 per cent next year, allowing further cuts in interest rates, which are currently at about 18 per cent.

Mr Chubais said the finance ministry was putting the finishing touches to its spending and revenue projections and would submit them to the cabinet next week.

By August 25, the budget must be presented to parliament, where it is expected to meet a hostile reception from opposition members.

Independent economists suggest the government will have to make heroic efforts to boost revenues – or make savage budget cuts – if it wants to close the primary budget deficit to the targeted figure.

The government expects a primary deficit of up to 3 per cent this year, with the overall deficit swelling to 8 per cent after interest payments on government debt are included.

Mr Michael Marrese, senior global emerging markets economist at Chase Manhattan International, said the government could secure economic growth if it was able to stick to its tight budget plans next year.

"I think there is a good chance we will see measured growth next year in the range nf 2.5 per cent to 3 per cent of GDP," he said.

Mr Chubais said yesterday he was still concerned about the low levels of current budget revenues in spite of recent efforts to raise additional taxes.

Nonetheless, the government expects revenues to pick up sharply over the coming months as new taxes are imposed on foreign currency purchases and securities transactions.

The finance ministry is basing its hudget projections on the assumption that parliament will give final approval to a new tax code later this year. Mr Chubais said the government would work with MPs in "the most active, even aggressive way" to ensure the tax code was adopted.

Travellers to feel benefits of euro

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Travellers will save an average nf $13.15 per cross-border visit within the European Union as a result of the euro, says a report released yesterday.

Eurnpe's hnreanx de change, however, will lose $1.9bn, or two-thirds of their business, by 2010 as a result of the single European currency, according to the London based Centre for Economics and Bnsiness Research, author nf the report nn the euro commissioned by the Association of British Travel Agents. The decline will lead to consolidatinn, with smaller players dropping nnt of the market.

Some foreign exchange business would have disappeared anyway because of increased use of credit and debit cards, the report says; some of the loss will be offset by increased sales of foreign exchange to non-EU countries.

The report forecasts that visits to destinations outside the EU will grow from 30 per cent of all visits beginning in the EU to 37 per cent by 2010.

"The euro will impact the indnstry beyond belief," said Thomas Cook, the UK travel agent owned by Westdentsche Landesbank, which also has 20 per cent of the British travel foreign exchange market. "But we think there will be consolidatinn and a greater need for exotic foreign currencies as more and more people travel long-haul." It was developing new prodncts, snch as euro travellers' cheqnes, to combat the expected fall in business from the euro.

The euro will lead to increased cross-border competition between European travel husinesses.

Business travel will be 9 per cent higher than it would have otherwise been by 2010, thanks tn increased trade and investment flnws stemming from the euro's launch.

Hnwever, the report predicts a 2 per cent fall in leisure travel because of the euro's effect on the two largest markets – the UK and Germany, which account for half the teisure visits originating from the EU.

The euro is likely to lead to weaker exchange rates in Germany and the UK, whose cnrrencies may have to depreciate in order to jnin the euro, according to the report.

Visits to Spain will fall by more than 20 per cent by 2010 if the euro goes ahead, the report adds, as the Mediterranean will become costlier to visit.

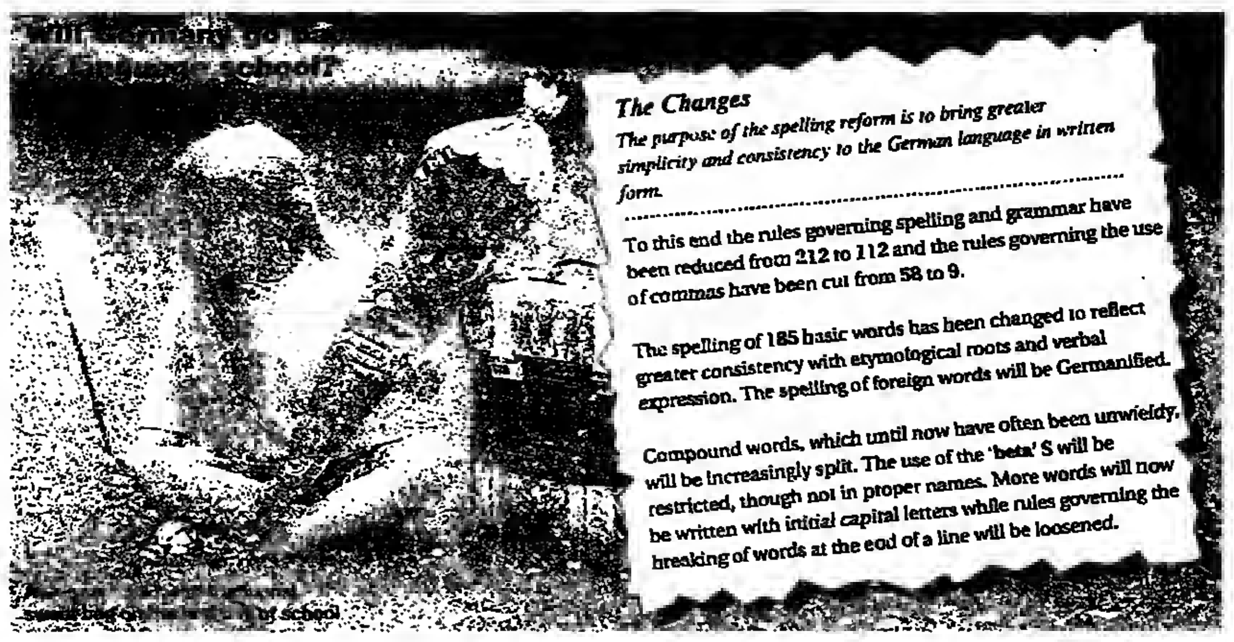
FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH. Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Germany at war over words

Opponents of language reform say new rules are unspeakable, writes **Frederick Stüdemann**

Learning German has never been easy. The language of Luther and Goethe is riddled with so many rules governing grammar and spelling that even native speakers can come unstuck when choosing where to put a comma or how to hyphenate a word or deciding how many of the same consonants can be lined up next to each other in a compound noun.



Because of such complexities there have long been calls to simplify the German language. But as might be expected of a debate which often appeared to involve the splitting of philological hairs, progress was slow as language experts and officials argued the matter for more than 10 years.

So the decision last year to implement a reform of the language, taken by cultural ministers from the German-speaking countries – Germany, Austria and parts of Switzerland – and representatives from German-speaking minorities in regions such as northern Italy and eastern Europe, was seen as a breakthrough.

This optimism might now prove to have been premature. In recent weeks the issue has escalated into something of a modern-day *Kulturkompf* which may now be resolved only by parliament or the constitutional court.

In the wake of legal challenges and rising public opposition, the reforms, which were due to be phased in from August 1998 but have already been introduced into some schools, may he scrapped altogether.

The result could be millions of lost D-Marks as publishers are forced to pulp books already produced according to the new rules, and further confusion over what is the right way to write in German.

For the supporters of reform, who include the cultural ministers in the regional states (Länder), lexicographers, and some language experts, failure would condemn children to outdated and complicated linguistic customs.

Ms Ingrid Stahmer, schools senator in Berlin, where the new spelling was introduced last year, believes such a failure would be a further indication of an overall German inability to confront and make necessary changes.

Opponents of reform, who include the federal president, many of the country's authors and leading newspapers, dismiss such arguments as the cries of officials who have tried to rob the German people of one of their most essential characteristics, language.

"For centuries Germany only existed in terms of language and culture," says Professor Rolf Gröschner, who teaches law at Jena university. Leading the attempt to scupper the reforms, Prof Gröschner has taken six Länder cultural ministers to court. In 10 other states similar court cases, supported hut not initiated by Prof Gröschner, are taking place. In three cases he has won.

The cases are being conducted at Länder level because responsihility for culture and education rests with the states, which have introduced the reform changes in schools by ministerial decree.

Today a higher court in Schleswig-Holstein rules on an appeal in one of the cases Prof Gröschner lost. While he hopes to win, defeat would open the way for a final appeal in the chambers of the constitutional court, a prospect Prof Gröschner relishes.

For the professor the issue is about allowing a language to evolve naturally and not by official prescription as much as fundamental democratic rights.

"Here we have bureaucrats telling the German people how to write. The state should not determine language," he says.

Ms Stahmer and other supporters nf reform counter that until now standards of spelling and grammar have been set hy a private company, the Duden publishing house. After the last overhaul of the German language in 1901, Duden's dictionaries were established as the national benchmark. "One of the reasons for reform was that it was no longer sustainahle that a private company had the rights to the German language," says Ms Stahmer.

Against the hackdrop of such rhetoric the reforms themselves appear relatively mild, to the point where some language experts say they do not go far enough and therefore should not be considered as reforms at all.

Grammatical complexities will be tidied up. The spellings of 185 words will change to reflect their etymological roots, so that the verb *numerieren* (to number) will acquire a second "m" to show its provenance from the noun *Nummer*. Foreign words will be Germanified so that the "ph" in words such as *Geographie* will be replaced hy an "f". Spaghetti will become *Spagetti*.

But tha reforma have already lead to confusion as dictionary publishers have managed to come up with conflicting interpretations of the new rules.

For schoolbook publishers a suspension or cancellation of the reform could spell financial disaster, because they have invested an estimated DM50m ($27m) in re-editing textbooks.

At the same time public confusion has seen sales drop, as parents are no longer sure which book is the right one.

Mr Volkhart Weizsäcker, director of Ernst Klett Verlag, the biggest schoolbook publisher, says if the reform is stopped many smaller publishers will go bust and the cultural ministries will face a wave of writs. His company has already sent new-style German language teaching books tn schools abroad.

"If the reform is stopped then Germany will embarrass itself beyond measure."

Editorial Comment, Page 11

Greek bankers succumb to lure of big bucks in the sun

The fast pace of liberalisation in recent years has brought the best of both worlds to the financial sector. **Kerin Hope** reports

The rapid expansion of Athens' capital markets is luring Greek bankers and brokers hack from London and New York to enjoy a Mediterranean lifestyle on salaries that reflect increased demand for financial skills.

"It used to be an Odysseus trip. Greek bankers spent 20 years abroad and settled for much less money or a political appointment if they wanted to come home." says Mr Christos Vlachos, who used to work for J.P Morgan Investment Management, and now runs the Athens operation of Eurofin, a London-based financial consultancy. "But now there's varied, well-paid work in Greece and the Balkan region."

Jobs have proliferated since financial liberalisation picked up speed in the early 1990s.

More than 3,000 jobs have been created in the financial sector since controls on capital movement were lifted to permit foreign portfolio investment and acquisitions of Greek companies by their Enropean competitors, according to an EU-funded study carried out the Athens Univeraity finance department. The study predicts that another 12,000 jobs will be added hy 1999.

Greek banks have set up dealing rooms, stockbrokers have transformed two-man operations into fully fledged brokerage cnmpanies, and dozens of mutual funds have been launched.

"Many [jobs] are going to be back-office and technological support positions. But there will be over 4,000 johs for people with specialist skills and experience of working abroad," says Prof Nikos Mylonas, an author of the EU study. "The capital market is still in its infancy."

Investment hanking flourishes on a modest scale. Family-owned Greek companies seek listings on the Athens stock market, and the Socialist government's deep-rooted suspicion of privatisation is being replaced by a cautious enthusiasm for popular capitalism.

Greece's hond market remains undeveloped, while most pension funds lack professional managers and are harred from investing more than 20 per cent of their assets in the stock market.

Although over 100 companies have joined the stock market since liberalisation, only two state corporations are listed. The bourse authorities' plans for launching a derivatives market have been delayed and are still at an early stage.

But salaries in the financial sector have risen sharply amid fierce competition among hanks and hrokerages for experienced staff. Six new private banks, several backed by Greek shipping groups, headhunted senior staff mainly from foreign banks, bringing salaries closer to western European levels. Youngish bankers can now earn Dr50m ($172,000) a year, not including honuses and stock options.

However, job opportunities are largely confined to the financial sector. And there are few openings in Greece for senior managers to run large industrial companies. Most successful Greek companies remain firmly in the grip of founding families.

A recent government campaign to improve efficiency at state corporations hy appointing private sector managers to run them has run into difficulties.

The collapse of efforts to find a new chief executive for OTE, the state telecommunications operator, amid political infighting has made potential candidates more reluctant to work for the puhlic sector.

Mr Andreas Gavrielides, of the Athens office of Egon Zehnder International, the executive search consultancy, says: "It's difficult for a Greek manager who has made a career ahroad to come back home at a senior level. Greek companies are small in international terms, and there are comparatively few multinationals operating here. There are probably only a dozen senior management positions here offered every year."

Apart from money, the most frequently cited incentive to return is the quality of life in Greece, from riotous weekends on Aegean islands tn the support provided hy extended families. Working hours are flexible and the returned banker or hroker enjoys a status not usually found elsewhere.

Mr Vlachos of Eurofin has advised US and UK casino opemtors hidding for licences to set up in Greece, arranged a syndicated loan abroad for DEH, the state electricity utility, and advised the government on a private port project in western Greece.

"There's lots of frustration because things happen very slowly," he says. "But there's a huzz that comes from dealing directly with the politicians who make the decisions."

Mr Victor Pisante says he thought hard before giving up a joh with Bear Stearns, the US Investment house, to set up his own hrokerage company in Athens with two Greek partners.

Since then Telesis Securities has grown into a successful investment banking boutique, handling public offerings for Greek companies and a high volume of stock market transactions by overseas institutions.

"The plus factors in coming back are being able to grow in your own company and being in at the start of capital market development. It's enjoyahle being a pioneer," he says.

"The main minus is that business here is on rather a small scale, so you're not likely to get involved in a giant deal."

Polish PM in grain dispute

By Christopher Bobinski in Warsaw

Falling grain prices and a shortage of storage capacity for this year's harvest have led the Polish Peasant party (PSL) to threaten a no-confidence vote in Mr Wlodzimierz Cimoszewicz, the prime minister, who belongs to the Democratic Left Alliance (SLD).

With parliamentary elections dne on September 21, PSL leaders want to put some distance hetween thamselves and the SLD, with which they have ruled in tandem for the last four years. At the sama time, more than 3m tonnes of grain imports into Poland over the past 12 months have gintted the market, despite the prospect of a lower grain harvest this year after last month's floods.

This year's harvest is expected to yield 24m tonnes of grain, 1.1m tonnes less than last year. Stocks stand at about 3.5m tonnes, according to Mr Jaroslaw Kalinowski, the agriculture minister. This is around two-thirds of the amount of grain which farmers would expect to sell each year at harvest time.

The PSL said yesterday Mr Cimoszewicz was ignoring the farmers' plight in refusing to accept a 120m zloty ($34m) government loan plan which would finance advance payments on around 400,000 tonnes of grain from farmers willing to deliver at a later date. It would also ease pressure on the market, maintain prices and enable smaller outlets to sell their grain.

EUROPEAN NEWS DIGEST

French defence cuts expected

The French finance ministry confirmed yesterday that the defence hudget is to be cut next year as part of a drive to rein in government spending. The ministry also said state expenditure in 1998 would increase "at a very significantly slower rate" than gross domestic product. Current expectations are for GDP growth of between 2.8 per cent and 3 per cent, up from 2.3 per cent this year.

The FFr85bn ($13.8bn) defence equipment budget is expected to bear the brunt of the reductions, as the Socialist-led government strives to ensure the 1998 public deficit does not exceed 3 per cent of GDP.

Yesterday's developments came as shares in Dassault Aviation shed a further FFr46, or 3.4 per cent, after Monday's FFr54 decline, on indications the government was still not ready to place a block order for 48 Rafale fighter aircraft included in the 1997-2002 military programme. *David Owen, Paris*

■ SECULARIST BILL

Turkish education plan

A Turkish parliamentary commission yesterday approved a secularist education bill bitterly opposed by the country's powerful Islamists.

Parliamentary officials said a general assembly debate and vote on the draft law was likely to be held today, after nine days of rowdy commission discussions.

Islamists, who have taken to the streets to protest against the bill, see the reforms as a threat to religious education. Under the draft law, compulsory state schooling will be extended to eight years from five, in effect bringing an end to the primary section of Islamic schools, known as Imam Hatips. The education plan was a key element of military demands for a crackdown on religious activism under the former Islamist-led government, forced out of office in June. *Reuter, Ankara*

■ ALBANIAN GANGS

Troops in crackdown

The Albanian government has sent Interior Ministry troops to the southern towns of Vlore, Gjirokaster, Sarande and Tepelene, to crack down on anarchy and confront the heavily armed gangs which have dictated the law since March.

Mr Lefter Zani, one of the raid targets, has vowed that his 40,000 armed men will "fight until former President Sali Berisha is hanged in Vlore's main square".

Mr Zani's anger stems from the collapse of the investment pyramid schemes which Mr Berisha allowed to operate. The collapse cost thousands of people their life savings and plunged Albania into chaos.

Announcement of the crackdown comes one day after the departure of the last Italian troops, sent to Albania in a multinational UN-sanctioned operation whose aim was to secure the lines of communication and supervise elections. *Matej Vipotnik, London*

■ VERSACE DEATH RECALLED

German on tax charges

The fugitive owner of a houseboat in Miami Beach where the alleged killer of Gianni Versace, the fashion designer, was found dead has been arrested in Germany on charges of fraud and tax evasion, prosecutors said yesterday.

Mr Torsten Reineck, wanted hy German authorities since 1992, was taken into custody at Frankfurt international airport when he landed on Monday evening. He was then taken to Leipzig.

Prosecutors said Mr Reineck's arrest had no connection with the Versace killing. He was wanted on charges of fraud and tax evasion over two Leipzig businesses he set up. They later went bankrupt and Mr Reineck vanished. A European arrest warrant was issued for him in 1993. A total of 37 charges relating to his business dealings were outstanding, authorities have said. *Reuter, Berlin*

■ GERMAN TRIAL

PKK fugitives sentenced

Four fugitives believed to be regional leaders of the banned Kurdistan Workers' party in Germany were convicted in absentia yesterday of belonging to a terrorist group and were sentenced to 2½ years in prison.

The three men and one woman, all Turkish Kurds, have been missing since they were released without bail in May after two years in investigative custody. A court had ruled they could not be held any longer pending trial.

The German government banned the Kurdish Workers' party, or PKK, as a terrorist group in 1993.

The Marxist-leaning PKK is fighting for autonomy or secession for the Kurds of south-east Turkey. More than 25,000 people have been killed since their insurgency began in 1984. *Agencies, Stuttgart*

■ GOSTA BOHMAN

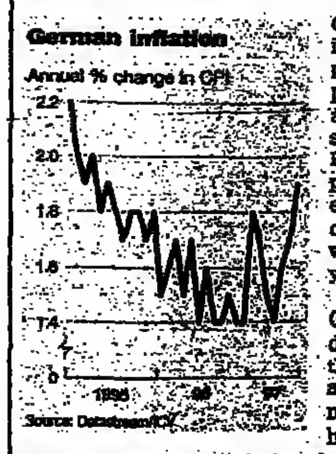
Swedish ex-party leader dies

Gösta Bohman, the former leader of Sweden's conservative Moderate party, died yesterday aged 86. The father-in-law of Mr Carl Bildt, the current Moderate leader, he led the party between 1970 and 1981, spending five years as economy minister in two centre-right coalitions in 1976-78 and 1978-81.

Mr Bildt, a former speechwriter for Bohman, married one of his daughters before becoming party leader in 1986. Yesterday, Mr Bildt hailed him as "one of Sweden's leading post-war political figures". Bohman, a fiery ideological opponent of Olof Palme, the former Social Democratic prime minister, said in later years that he and Mr Bildt never discussed politics. "I've tried twice and it wasn't so good," he said. *Greg McIvor, Stockholm*

ECONOMIC WATCH

German inflation rises



Germany's annual inflation rate rose to 1.9 per cent in July, after 1.7 per cent in June, according to federal statistical office figures. Price increases were particularly marked in east Germany, where the cost of living index in July was 2.4 per cent up on a year before.

But the figure for west Germany was revised down to 1.7 per cent from the provisional 1.8 per cent announced late last month. East German households were affected more by rises in prescription charges and vehicle taxes.

July was the third month in a row to see a rise in pan-German annual inflation, which dropped to 1.4 per cent in April. Analysts suggested a gentle underlying upward trend could become established in coming months, particularly if the D-Mark showed signs of further weakening. However, the Bundesbank yesterday announced an unchanged 3 per cent securities repurchase (repo) tender rate. *Ralph Atkins, Bonn*

هكذا من الأصل

NEWS: THE AMERICAS

Grudging Memphians are slow to raise a glass to a dollar-earning miracle

Elvis Presley: needed dead or alive

By John Authers in Memphis, Tennessee


Elvis Presley in a scene from the film Kid Galahad

Tell almost any Memphian that you are in town for the 20th anniversary of Elvis Presley's death, being celebrated with great pageantry in the city this week, and you get the same response: "I'll tell you something about Elvis: he's dead. Deader'n e doornail."

Local exasperation and distaste with the quasi-religious cult that has developed around Memphis's most famous resident since his death is never far from the surface.

An obviously satirical news item in this week's Memphis Flyer, a local newspaper, reads: "A Flyer Exclusive: Elvis Is Dead."

Rock 103FM, one of the more popular local radio stations, holds a competition each morning where the reward for the caller whose joke is in the worst taste is a bath mat with a chalk outline of the singer'e body as he was found, bent double on a toilet floor.

This seems unfair. Elvis Presley Enterprises, which represents the singer's estate, has attracted massive new tourism revenues to Memphis since it wrested control over the rights to Elvis' name and image from his manager, Colonel Tom Parker, in the early 1980s.

Graceland, Elvis' mansion, was opened to the public in 1982, and is now one of nation's chief tourist attractions. It employs 300 people, swelling to 500 for the peak season.

The organisation now runs seven separate souvenir shops in a campus across the highway from Graceland, which sell a huge range of gifts, such as a replica Elvis driving licence with an "expiry date" of August 16 1977. The organisation does not release sales figures, but business this week, with 50,000 people going through the turnstiles, looks brisk.

Graceland has also stimulated extra tourism revenue nearby, with local hotels offering such ettractions as "24-hour Elvis movies in every room", and a "guitar-shaped swimming pool".

However, the estate, which has developed e formidable reputation for protecting Elvis' name in the courts, works independently of both public and private sector organisations.

The Overton Shell, a big outdoor amphitheatre where the young Elvis gave his first concert in the city, and backed by one of the prettiest parks in Memphis, now stands as the strongest symbol for the area's unwillingness to co-ordinate efforts to protect its heritage.

Pressed into service this week as a concert venue, the shell is overgrown, witb grass under the seats and weeds covering the concrete. The one public telephone does not work. Neither local public bodies, nor the Presley estate, contribute anything to its upkeep.

According to Mr Vernon Chadwick, a local professor and author of a book on Elvis, who is leading the campaign to keep the Shell open: "I'm afraid Memphis has a long record of failing to respect and realise the value of its history. The joke is that if you want a tour of the historic sites in Memphis, you end up visiting a series of parking lots."

He added: "We've tried not to involve Elvis Presley Enterprises too much because they have a tendency to control everything once they become involved."

Music is important to the city'e attempts to attract more visitors, but its convention bureeu tends to emphasise blues artists, rather than singling out Elvis.

Thus its present slogan is "Home of the Blues, Birthplace of Rock n' Roll", which gives equal precedence to the local blues musicians, such as B B King, who tend to give rise to as mnch local pride as Elvis. The previous slogan was: "Give me Memphis, Tennessee", borrowed from a Chuck Berry song.

The centre of private sector efforts to revive the city's downtown is Beale Street, where many of the nation's best known blues venues were knocked down in a previous attempt at urban renewal. New restaurants and clubs are opening, and crowds fill the street into the small hours, a phenomenon unmatched elsewhere in the south outside New Orleans.

But again, there is ambivalence towards a new entrant: Elvis Presley's Memphis. Planned to be the start of an international chain of about eight restaurants, it was opened by the singer's estate last month. It features plenty of Elvis memorabilia, in a formula reminiscent of the Hard Rock Café, and serves southern cuisine, concentrating on Elvis' fevourite dishes, such as deep-fried banana-and-peanut-butter sandwiches.

The place has been packed ever since it opened, but locals still seem unimpressed, preferring B B King's club, whicb almost faces it ecross the street and, in an ettraction its rival cannot match, often features live music by its founder.

The Flyer, despite taking its dig at the fanatics, suggests in its leader that readers should appreciate the economic impact which the Elvis industry has had on the city. Pointing to the city's downtown revival, it says: "Arguebly, none of these cbanges would have happened without tourism – and most of that tourism is clearly generated from Memphis's musical legacy. And Memphis's musical legacy, like it or not, is most notably defined by the rest of tbe world as Elvis Presley."

It concludes that Memphians dining out downtown should raise a glass to Elvis and say: "Thank yuh, thank yuh verra much."

US productivity slows as labour costs rise

By Nancy Dunne in Washington and John Labate in New York

Data yesterday released by the US Labour Department show a slowdown in productivity growth in 1997 and rising labour costs.

In the second quarter, productivity rose only 0.7 per cent in the business sector after 1.8 per cent in the first quarter. Productivity estimates for the first quarter for non-farm business were revised downward from 2.6 per cent to 1.4 per cent.

However, Mr Alan Greenspan, chairman of the Federal Reserve Board, and other Fed officials hold that the official productivity statistics – which measure a worker's output in a given time period – understate prodnctivity growth, especially in the service sector.

"If you believe the [productivity] numbers, then companies are becoming increasingly unable to boost productivity to keep up with gains in compensation, a potentially worrisome development on the inflation front," said Mr Jonathan Basile of HSBC group, the international banking and financial services organisation.

However, Mr Basile agreed with the Fed. "The so-called 'new economy', filled with technological change and innovation, appears to have improved prodnctivity across most industries, and this is not being reflected in published numbers."

On Wall Street, bond traders said the new figures had little impact on the morning Treasury market. While prices did move higher, investors saw other technical factors as more important.

But one outspoken critic of the Fed's approach to productivity is Mr Stephen Roach, chief economist at Morgan Stanley, who has accused Mr Greenspan of "mining statistical data for favourable results".

Mr Charles McMillion, of Washington-based MBG Information Services, said yesterday's report confirmed what other indicators have shown of stress in the "real economy" outside Wall Street.

"The good news for the real economy is that wages and benefits have started to grow over the last 18 months. The problem is that productivity is not keeping up."

Mexican opposition gets taste of power

By Daniel Dombey in Mexico City

After being excluded from national power for seven decades, Mexico's opposition parties yesterday confirmed an agreement to control key aspects of the country's Congress.

The agreement reached between the leftwing Party of the Democratic Revolntion (PRD) and the traditionally conservetive National Action party (PAN) as well as two smaller parties has been hailed as the opposition's first taste of real power.

Until mould-breaking elections last month, the country's Institutional Revolntionary party (PRI) had won every congressionel and presidential race since its formation in 1929.

July's election still left the PRI as the biggest single party in the important lower house of Congress, bnt denied it an absolute majority. Although the final results are yet to be ratified, the PRI is likely to end up with 239 seats out of 500, while the PRD will have 125 and the PAN 122.

The opposition parties have now agreed to work together to take control of the Chamber's ruling council, which decides the composition of congressional committees and commissions.

They also made a commitment to change the format of the president's annual state of the union address, due to be delivered on September 1, When Congress meets fur the first time. The opposition block will invite the PRI to negotiations in coming days.

The agreement is likely to make Mexican politics less regal than in the past, when Congress was little more than a rubber stamp for presidential initiatives, but does not amount to an agenda for policy change.

The PRD and the PAN have often been at loggerheads on issues such as privatisation and land reform, and may have uneasy relations with their smaller counterparts, the Ecologist party and the Workers party.

The two main opposition parties both campaigned on reducing Mexico's value added tax but are divided on the speed and financing of any change.

However, the the PRI is itself torn between its loyalty to the austere policies of President Ernesto Zedillo and e more populist agenda.

AMERICAS NEWS DIGEST

Inflation fillip for Brazil

Brazilian prices have fallen by more than a quarter of a per cent during the last four weeks, according to the Economic Research Institute (Fipe), providing further evidence of the sharp reduction in inflationary pressures in the Brazilian economy.

Mr Juarez Rizzieri, head of Fipe at the University of São Paulo, said that apart from a three-week period in December last year, this was the first time prices had fallen in Brazil since the launch of a new currency three years ago. The Fipe index, which measures prices in São Paulo, was 0.28 per cent lower between July 8 and August 7, having risen 0.11 per cent in the previous four weeks.

In a separate announcement, the National Statistics Institute (IBGE) announced the consumer price index rose 0.18 per cent in July, after rising 0.35 per cent in June, bringing inflation for tha previous 12 months to 4.85 per cent.

Mr Rizzieri said he expected the average rate of inflation over the year to be about 0.3 per cent to 0.4 per cent per month.

Geoff Dyer, São Paulo

■ MEXICAN VVA

Senior official resigns

Bankers have reacted with concern at the resignation of the Mexican government official in charge of a $40bn asset sale. Mr Oscar Medina Mora, who heads the country's Asset Valuation and Sale agency (VVA), a subsidiary of the central bank, is to step down this month. The VVA will be amalgamated with the bank's savings protection fund.

The departure of Mr Medina Mora has surprised financiers who had been won over by his handling of the sensitive post. He will be replaced by Mr Albeto Mulás, a central bank official who previously worked for Lehman Brothers. The role of VVA is to sell the $40bn of poor quality loans and assets which the government ecquired from commercial banks in the wake of the 1994-95 peso crisis. Last month the first package of loans was auctioned off.

Daniel Dombey, Mexico City

■ ARGENTINA FORECAST

Industrial growth may hit 8%

Argentina has raised its forecast for industrial production growth this year from 7 to 8 per cent, Mr Alieto Guadagni, industry secretary, said yesterday. Production would surpass the record levels of 1994, making 1997 the best year for industrial performance in the country's history, he said.

Vehicle production in the first seven months of the year was almost 39 per cent ahead of the same period last year. Domestic cement deliveries were up 45 per cent in the same period, while bank loans to the non-financial sector were up 15.7 per cent. Reduced interest rates – 22 per cent lower than last year for leading borrowers – were helping to fuel the expansion. Mr Guadagni was not concerned over the sharp deterioration in the trade balance. Argentina had a trade deficit in June of $129m, against a $210m surplus last year.

Ken Warn, Buenos Aires

■ SURINAM ROW

Clash over drugs charges

Surinam's ambassador to the Netherlands is to return tomorrow for consultations amid a clash between the small South American state and its former colonial ruler over drug allegations. The Hague last week asked Interpol to issue an arrest warrant for Mr Desi Bouterse, one-time military dictator and now leader of the National Democratic party, which heads an 11-month-old coalition government. Mr Bouterse said he would visit Dutch prosecutors to hear their evidence of his alleged complicity in alleged cocaine trafficking, but only if he were guaranteed safe conduct.

The Hague intends to respond next week to the Surinam government, whose 400,000 population it provides with up to Fl 150m ($75m) e year in aid for the 400,000 population. Another 250,000 of its nationals live in the Netherlands.

Gordon Cramb, Amsterdam

NEWS: INTERNATIONAL

Pressure mounts on Israel to lift curbs

By Avi Machlis in Jerusalem

Thousands of Palestinians marched in the West Bank town of Nablus yesterday to protest at Israeli sanctions, as political pressure mounted on Israel to lift curbs imposed on the Palestinians following a suicide bombing two weeks ago.

Among the estimated 10,000 demonstrators were members of *Hamas*, the Islamist movement Israel believes is responsible for the Jerusalem bombing.

Hamas protesters burned effigies of Mr Benjamin Netanyahu, Israel's prime minister, and Mr Dennis Ross, the US Middle East peace envoy, who has been shuttling between Israeli and Palestinian leaders in an effort to revive peace talks.

After a meeting ending eerly yesterday morning with Mr Yassir Arafat, president of the Palestinian Autbority, Mr Ross said some of the Israeli sanctions "are not helpful and would *be counter-productive*".

Mr Fayaz al-Tarawnah, Jordan's foreign minister, said King Hussein of Jordan would urge Mr Netanyahu to ease sanctions in a summit meeting planned for today at the Red Sea resort of Aqaba.

Israeli officiala said the sanctions, including a closure of the West Bank and Gaza and a suspension of tax revenue transfers, would continue until the Palestinians cracked down on terror groups. The measures have been lifted slightly in recent days, but 70,000 Palestinians licensed to work in Israel are still unable to enter.

Meetings brokered by Mr Ross between Israeli and Palestinian security officials have yet to bear fruit.

Israel wants Palestinian security services to carry ont mass arrests of activists in radical Islamist groups such as Hamas. But Palestinian officials say they will not co-operate if Israel does not change its settlement policies in occupied areas.

Palestinians also fear compliance with Israeli demands to carry out mass arrests could spark a civil war between Mr Arafat's police and Hamas militants.

Mr Ross plans to return to Washington today. Mrs Madeleine Albright, US secretary of state, has said she would visit the region at the end of this month if Mr Ross makes progress.

Meanwhile, e delegation of Israeli Arabs to Syria, which includes Arab members of Israel's Knesset (parliement), yesterday met senior Syrian officials in Damascus. Mr Farouq al-Shara, Syria's foreign minister, told the group Syria was still seeking peace with Israel, although it was discouraged by the hardline policies of the current Israeli government.

Palestinians burn Dennis Ross and Benjamin Netanyahu effigies in Nablus yesterday Reuter

Oil output task for Iran minister

By Robert Corzine

The appointment of a new Iranian oil minister comes at a time when pressure is growing to secure foreign partners in the strategic sector, say analysts and officials.

Mr Bijan Namdar Zanganeh, who is currently minister of energy dealing with non-oil matters, has been proposed to succeed Mr Gholamreze Aghazadeh, who leaves the cabinet after 12 years at the oil ministry.

Mr Zanganeh is viewed as a technocrat and a moderate in Iranian political terms. In common with Mr Aghazadeh, he has a seat on the powerful Expediency Council.

Analysts say Mr Zanganeh's success at the energy ministry made him a leading contender to run the oil industry, which accounts for 80 per cent of Iran's export earnings and 40 per cent of government revenues.

As energy minister hs oversaw an extensive dam-building programme that has provided Iran with alternative sources of electricity.

He will take over the oil portfolio at a pivotal time for the industry, which has suffered badly from e chronic lack of investment. Although Iranian officials say capacity is 4.2m barrels a day, some western experts suggest that Iran struggles to meet its quota from the Organisation of Petroleum Exporting Countries of 3.6m b/d.

The need to tap new sources of capital and technology was behind the previous government's decision to open the offshore part of the industry to foreigners in spite of opposition.

Kenya Asians feel ground shifting under their feet

In a time of pre-electoral turmoil, the fear is they will become scapegoats for rising tensions, Michela Wrong reports

At the Nairobi Gymkhana club, the very walls breathe confidence and worldly success. *Framed* photographs commemorate cricket triumphs; the "Sportsman of the Year" roll-call, engraved in bronze, *testifies* to decades of sporting excellence.

But at the wood-panelled bar, conversation is anxious: of Kenya's falling shilling, collapsed negotiations with the International Monetary Fund, and student riots. This colonial-style club is a favourite with Asians and, of all Kenya's 40-odd tribes and ethnic groups, none feels more nervous today.

As Kenya enters e period of pre-electoral political and financial turmoil, the 70,000-80,000-strong community feels the ground ahifting below its feet.

With investments ranging from textile factories to oil-refining plants, bousing estates to the shop on the corner, it stands to lose most from any upbeaval. But the community's near-invisible political profile means little can be done to determine the course of events.

"People feel vulnerable, impotent," says Mr Amin Gwaderi, cbairman of the Eastern Action Club for Africa, an *Asian* lobby group. "Instead of speaking out, they send their wives and children abroad, take longer and longer holidays."

What worries the community – split between Moslems, Hindus and Sikhs, recent arrivals and families tracing roots back to pre-colonial times – is what it sees as a new strain of racism. "After independence, there was an upsurge of anti-Asian sentiment," one doctor says. "Then the issne was forgotten for many years. We thought all that was behind us and we were living in a multi-racial society."

Thet situation changed late last year, when Mr Kennetb Matiba, bead of the Ford-Asili opposition party, started making speeches ettacking Asians as parasites who had bled the country dry. In speeches directed to poor members of the Kikuyu tribe, Kenya'a largest ethnic group, he promised to expel them if elected president. For Kenyan Asians, the rhetoric, aoon echoed by other opposition leaders, was reminiscent of that used by President Idi Amin before the ejection of tens of thousands of Ugandan Asians 25 years ago.

Few believe an African government would be foolish enough to repeat Amin's mistake, which plunged Uganda into economic crisis. They fear something different: the transformation of the Asian community into a convenient scapegoat for rising tensions between Kenya's "haves" and "have-nots", rulers and politically disenfranchised, and those who have benefited from government sleaze and its victims.

"What we fear is random violence, muggings, lootings, stonings," says Mr Swarn Sodi, who runs a company selling farming tools. "So many people in Nairobi have nothing to lose." Hostility towards the Asians has simmered since Indians were drawn to Kenya in the 19th century by stories brought back to the subcontinent by labourers contracted to build the East African Railway.

Employed by the British authorities as middlemen, they took up key positions in the civil service. But they were never allowed to own land by the white rulers, who suspected them of expansionist ambitions, and they were resented by the indigenous Kenyans below them.

After independence, they were eased out of the state administretion and prospered the only wey they could: as traders. Today, a community which accounts for less than e quarter of 1 per cent of the population controls three-quarters of the non-multinational manufacturing sector and provides most employment after the government.

But indigenous anger has been lent new bitterness by the role Asian businessmen are seen as having played in a series of well-publicised government scandals, notably the Goldanberg affair, which cost the country $400m in state funds.

"In the past 20 years, we have produced a generation who are not entrepreneurs, they are grabbers," says Mr Mann Chandaria, head of the Manufacturers' Association. "But the first moves in e corrupt deal are always made by people at the top, who then turn to others as they lack the necessary business links to eee the deal through."

While many Asians complain at the way some such as Mr Kamlesh Pattni, Goldenberg's owner, heve tarnished the community as a whole, in the eyes of some outsiders they are the product of a community that cuts corners. For e destitute Kenyan, in any event, it is far easier to vent rage on e highly visible racial group than to call anonymous government figures to task.

The first warning signal came on May 31, when e Nairobi rally called by pro-reform campaigners turned to a rout. The unemployed and homeless went on a looting spree, targeting Asian shops and stoning Asian cars. Next dey, the British embassy was besieged with calls from Asians, tens of thousands of whom have right to residence in the United Kingdom.

Since then, Asian shopkeepers have boarded their windows up and are keeping stocks to a minimum. New investments have been put on hold, and Asian investors, who account for the lion's share of the Treasury bill market, are selling up.

The Hindu community has boosted e vigilante force set up for the last elections. In six Asian-dominated residential areas, volunteers keep in constant radio contact and go into action when premises are attacked.

Membera of the 5,000-strong Ismalia community have drawn up plans to move into e mosqne and hospital complex in northern Nairobi should anarchy break out. Younger members of the community believe the rising racism means it is time to abandon the political passivity that has resulted in a government without a single Asian cabinet minister.

Bnt the ailent majority draws the conclusion that a low profile is more vital now than ever. "Asians can never stand up for themselves because they fear that one night there could be a knock at the door and the police will be asking about papers or the VAT man about income tax," an Asian financier says. "They are far too easy to target."

The Kenyan shilling tumbled furtber yesterday as foreign investors reacted to the World Bank joining the International Monetary Fund (IMF) in suspending aid because of corruption worries, writes Michela Wrong in Nairobi. The currency, which had shown some signs of steadying on Friday after a week of losses, closed at a commercial mean rate of 70 to the US dollar, a 1.64 per cent fall on Monday's opening.

World Bank officials said on Friday they abared tbe concerns that prompted the IMF's suspension of its loan programme on July 31, and that a $71.6m structural adjustment credit could not now be paid out. Several large projects to renovate Kenya's energy sector and its dilapidated roads were also highly likely to be suspended. Analysts said political violence on Friday had also helped undermine the shilling.

NEWS: WORLD TRADE

Gephardt heads for Santiago trade talks

By Leslie Crawford in Washington

Mr Ricbard Gepbardt, minority leader of the US House of Representatives and a prominent critic of the North American Free Trade Agreement (Nafta), will arrive in Santiago today on his first trip to South America, wbere be bopes to discuss trade and environmental issues.

Mr Gephardt's week-long trip will also take in Argentina and Brazil, *mirroring* the countries President Bill Clinton intends to visit over the next 12 months to promote the US administration's push for e continent-wide free trade accord.

Mr Gephardt's visit comes at a time wben Mr Clinton and Congress are locked in discussions over e negotiating mandate that would allow US trade officials to pursue e free trade accord for the Americas without the risk of e line-by-line legislative veto.

Mr Clinton is expected to request this "fast track" authority from Congress in September, end Mr Gephardt, who leads the Democratic minority in the lower house of Congress, has been a key figure in those negotiations.

Since Mr Clinton brought Mexico into Nafta in January 1994, Mr Gephardt has been critical of the trade agreement's weak labour and environmental safeguards. After visiting tbe US-Mexican border earlier *this year, he issued a strong* statement condemning the low wages and perilous working conditions in Mexican manufacturing plants, as well as Mexico's poor enforcement of environmental laws.

Mr Gephardt has also let it be known that his support for any future trade deals with Latin America would be conditional on the inclusion of much stronger provisions to safeguard labour rights and the protection of the environment.

*Chile, which began lobby*ing for a free trade accord with the US in 1990, no longer views the trade deal as "a matter of life and death", according to Mr John Biehl, Chile's ambassador to Washington.

Since 1990, Chile has *become an associate member* of the Mercosur trade area, which brings together Brazil, Argentina, Uruguay and Paraguay. It *has also negotiated* separate trade agreements with Mexico and Canada and strengthened its trading reletionships wlth Japan and the Far East.

Brazil, the dominant economy within Mercosur, has also adopted a wait-and-see epproach to broader free trade talks.

Mr Gephardt's visit to South America, therefore, is being billed as a fact-finding tour. He is expected to meet President Eduardo Frei of Chile and President Fernando *Henrique* Cardoso of Brazil, as well as trade and environment ministers and business leaders in both countries.

Czechs consider incentives for Intel

By Joe Cook in Prague

The Czech cabinet will today consider reversing its long standing policy on inward *investment incentives* in an ettempt to secure an investment of up to $500m by Intel, the US compnter chip maker.

The Czech Republic has been shortlisted by Intel as a possible location for e new assembly plant along with Portugal and Egypt. But unlike other central European governments, Czech authorities have to date refrained from offering incentives, auch as tax breaks or cut-price land, to foreign investors due to a belief that the country's attraction as an investment location is strong enough.

However, recent macroeconomic developments have forced a rethink of the policy.

The Czech Republic's repntation suffered e setback in May when currency speculators seized upon the economy's lacklustre performance and e widening trade deficit to attack the koruna, its national currency.

That forced the central bank to float the koruna, which has since depreciated by about 10 per cent. The govarnment haa alao announced budget cuts, a public aector wage freeze and the introduction of import barriers in an attempt to curb rising state expenditures and to plug the trade gap.

The Czech Republic's share of total foreign-investment inflows into central Europe "stagnated in 1994 and 1995 and underwent a fairly significant decline in 1996", says a senior economist at a big US investment bank in London. Czech labour, he says, is "relatively expensive for the level of productivity offered".

Intel, which is expected to finalise its decision next month, would create some 3,000 jobs in the first phase. However Prague faces some tough competition from Portugal for the investment.

Chinese groups bullish on prospects

By Emiko Terazono in London

An increasing number of companies in China and the UK are bullish about their country's economic prospects for the next 12 months, while confidence among south-east Asians has fallen, according to e study published yesterday.

Over half the senior executives interviewed from more than 1,400 companies in 43 countries were confident about economic growth, up from 40 per cent a year before, according to a report hy Research International, the market research group.

Four out of five companies in China and the UK said they were expecting economic improvement, with a third of the companies in China feeling their economy would "get a lot better". Forecasts in Japan improved from 25 per cent to 43 per cent, but optimism among the Asian "tiger" economies fell, with only 45 per cent of companies in the region feeling confident compared to 72 per cent last year.

Research International said the new Labour government had helped sentiment in the UK, where 78 per cent of companies were feeling positive about their economy. In the rest of Europe, however, only 49 per cent of French companies felt confident, and 52 per cent in Germany forecast economic improvements. East Europeans were more pessimistic, with less than a quarter positive about prospects.

Within industry groups, information technology and telecom sectors were the most positive, with two-thirds of the companies expecting economic improvements. This compared with 59 per cent in financial services and 32 per cent in health care and drugs.

Chief executives cited increasing competition as the most crucial problem facing companies.

Windows of the World 1997, Research International; 0171-656-500. £495

Japan car makers slam US claims

By Michiyo Nakamoto in Tokyo

The Japanese car industry yesterday rebuffed US criticism that the country was not doing enongb to promnte vehicle imports, blaming this year's sharp decline in US car sales in Japan on America's Big Three mannfacturers.

The Japan Antomobile *Manufecturers Association* (Jama) said in a newsletter that US carmakers' failure to take advantage of a surge in demand earlier this year before an increase in Japan's consumption tax in April was largely to blame *for their 19 per cent decline* in car sales in Japan.

Jama's criticism was in response to calls by the *American Automobile Manufecturers'* Association on the Japanese government to "pro-actively" assist the Big Three to increase sales in Japan. Unless Tokyo provided such assistance the country could expect further trade friction with the US, the AAMA threatened.

Sales of the Big Three fell 11.3 per cent in the first three months of 1997 at a time when the overall market rose 14.1 per cent, as consumers rushed to beat the April 1 consumption tax rise.

In contrast, "European importers, inclnding VW, BMW and *Mercedes*, more closely followed the overall market pattern, increasing 31.9 per cent in the first *three months of the year*," said Jama.

In the US, the exception was Chrysler, wbich increased sales by 25.4 per cent in the first quarter. Ford sales dropped nearly 14 per cent to 5,250 for the *three months*, compared with 6,101 last year. In the seven months to July, Ford's sales in Japan have plunged 37.2 per cent to 9,552 from 15,222. In particular, sales of the Taurus, Ford's mainline passenger car, slumped 68 per cent to 1,683 in the year to July from 5,263 in the same period last year.

GM, whnse Cavalier *saloon Toyota has had dif*ficulty selling in Jepan under its own brand, saw sales of its US-made cars drop 8.7 per cent in the first quarter and 13.6 per cent in the first half. GM's overall sales in Japan in the first quarter were bnoyed by sales nf Opel cars, which rose 22.5 per cent. But Opel could not help evert the subsequent slide after the consumption tax increase.

GM's Saturn division, which launched its first cars in Japan in April, has also suffered. Sales were weak at 300 units in four months.

US nears ship subsidies pact

Compromise raises hopes of OECD deal, says Heather Bourbeau

Mncb has changed since the US proposed the elimination of shipbuilding subsidies by industrialised ustions in 1989. Then it was tbe only country in the OECD to have abolished its domestic aid to the industry.

Eight years later, the US is the only country not to have signed the OECD Shipbuilding Agreement which was formalised after five years of negotiation. Moreover, in lieu of a permanent end to industry aid, the US revived one controversial programme in 1994, the Title XI Ship Loan Guarantee programme.

Last year, tbe House of Representatives approved the OECD agreement, but only with a series of provisions that came to be known as the Bateman amendment, after Mr Herbert Bateman, Republican congressman from Virginia.

The *Bateman* amendment extended loan guarantees for three years, allowed tha US to take actions necessary to protect national security interests, and required US trade representatives to take action against dumping. While the amendment was hailed as a judicious compromise by many shipbuilders, it was not in accord with the original international agreement.

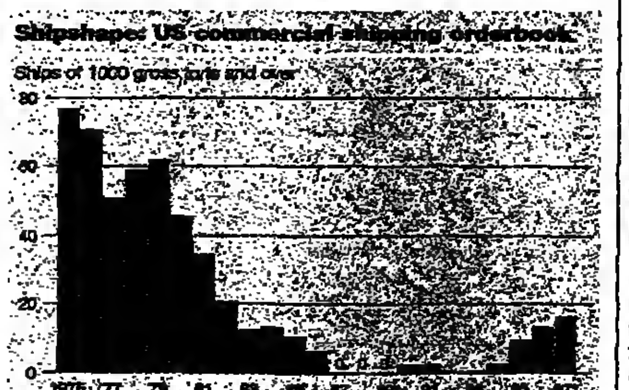
For his part, Mr John Breaux, e Democrat senator, in April introduced a Senate bill on behalf of the Clinton administration. It is an attempt to incorporate parts of the House bill with the Bateman amendment witbout breaking the OECD agreement.

The Breaux bill was met with strong opposition from not only the American Shipbuilders' Association, which represents six of the largest US shipbuilding companies, but also from Mr Trent Lott, e Republican from Mississippi and Senate majority leader.

Mr Lott has extensive maritime ties, including a stint as chairman of the Senate merchant marine subcommittee. Until recently, be refused to support any bill that did not carry the provisions of the Bateman amendment verbatim. Perhaps realising the impossibility of winning a subsidies war, Mr Lott offered Mr Breaux and his supporters an olive branch.

The two senators came to a critical understanding that opened the door for final approval of the OECD agreement. In a rare joint appearance on the House floor, they outlined amendments extending loan guarantees for three years, protecting tbe Jones Act, whicb requires ships transporting cargo between two US ports to be US-built, as well as pushing the US trade representative to seek adherence to the agreement by non-OECD countries.

Mr Lott and Mr Breaux are now working with Mr Bateman to ensure a Senate and House compromise and to evoid e renegotiation of elther the Senete or the *OECD agreements*.



Few people want to risk another long international negotiation. The OECD is willing to work around the Senete bill, including delayed entry by the US as well as permitting other partners to extend their domestic aid programmes. Indeed, US foot-dragging has already led to actions by Germany, Greece and Spain to extend and expand aid to their respective domestic shipbuilding industries.

Fears of the death of US military shipbuilding and domestic security as e result of more foreign competition have driven the fight for continued aid. Yet some shipbuilders argue that their productivity has actually improved as a direct result of the original end to shipbuilding subsidies by the Reagan Administration in 1981.

While aome shiphuilders will suffer as a result of the OECD agreement, not even the staunchest opponent to the agreement, Ms Cynthia Brown, president of the American Shipbuilding Association, will come out in *favour of subsidies*. "The ASA has always been against subsidies. We want to support world shipbuilding practices but this agreement just doesn't do it. It does not end foreign government subsidies or dumping.

"We want to give our trade representatives a backbone." For Ms Brown this means a renegotiation of the original OECD agreement. For the other players, giving a backbone to trade representatives may mean admitting the possibility of domestic difficulties resulting from free trade agreements.

Malaysia may defer imports

By James Kynge
in Kuala Lumpur

Malaysia yesterday said for the first time that costly imports should be deferred in an attempt to bring down the country's rising trade deficit, the trigger behind its currency's plunge to near historic lows against the US dollar.

Mr Anwar Ibrahim, deputy prime minister and finance minister, said companies which import goods readily available in Malaysia could also be penalised.

He said that some of the country's large infrastructure projects, which suck in many so-called "lumpy" imports will be reviewed. "There are maybe some projects which we think we can defer," Mr Anwar said, declining to name them.

His comments represented a first public recognition that the trade deficit, which swelled to M$2.8bn (US$1bn) *in* June, is at least partly responsible for the slide of the Malaysian ringgit.

The currency fell to M$2.7930 to the dollar at one point yesterday – a 42-month low and perilously close to the M$2.80 level at which it was floated in 1973. Later it rebounded to M$2.7645, nearly 12 per cent down since early July.

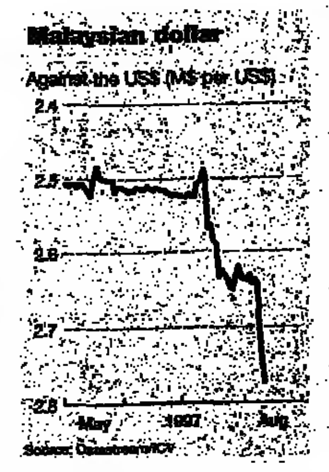
Dr Mahathir Mohamad, the prime minister, has said Malaysia's tumbling currency and stock values do not stem from domestic problems. Instead, he has railed against external forces such as Mr George Soros, the US financier, and other speculators for "brigandage" in attacking the ringgit.

Economists said yesterday's remarks by Mr Anwar were a positive sign that Kuala Lumpur is facing up to the fact that its economy may be in need of some profound adjustments.

Many economists also said that selective capital controls imposed by tha central bank, Bank Negara, this month have proven ineffective in halting the ringgit's slide.

The controls have also been blamed for touching off panic selling in the local stockmarket, which declined slightly yesterday at a 22-month low of 897.25 points.

The cost of restricting curbing imports, however, might be felt in a slowing economy, or in the frustration of corporate expansion plans. For example, analysts asked if Malaysian Airlines, which is due to import anothar seven Boeing 777 aircraft in the year to March 31 1998, would be permitted to take delivery of them.



HK put up $1bn in currency defence

By John Ridding in Hong Kong

Hong Kong spent about US$1bn last month to defeat a speculative attack on the territory's currency, Mr Donald Tsang, financial aecretary, revealed yesterday.

According to a spokesman, Mr Tsang said the attack was made by a single speculator and had been repelled within hours. The news confirmed previous reports that the Hong Kong dollar had faced an assault as part of the turmoil in regional currency markets.

However, the Hong Kong dollar, which is linked to the US currency and backed by foreign exchange reserves of abont US$70bn, has remained generally stable.

"The market is normal. It is very hard to speculate with any success against the Hong Kong dollar," said Mr Andrew Fung, head of capital marketa at tbe Commonwealth Bank of Australia in Hong Kong. "The economic fundamentals are strong and the HKMA [the territory's de facto central hank] has strong control over the banking system and fund flows."

The head of currency trading at a Hong Kong investment bank added that the territory's foreign exchange reserves were unlikely to have fallen by US$1bn as a result of the defence. "I suspect they recouped much of that outlay," be said.

Mr Tsang's comments followed Hong Kong's mova to participate in the IMF-sponsored rescue package for the Thai economy.

The financial secretary warned of the contagion effect of turbulence in regional financial markets, arguing Hong Kong's support for the package was in its own interest.

The move would help demonstrate the territory's status as the region'a financial centre. He was confident the loans to Thailand would be repaid within their five-year term.

Japanese insurance rebels defy rescue plan

Mr Yasokazu Yamaguchi, 65, does not look like the type to challenge corporate Japan. For most of the last decade this softly spoken Tokyo resident has forged a living hy selling miniature Buddhist shrines to Japanese households.

But Mr Yamaguchi and several hundred other Japanese have taken a step that may give Japan's mighty life insurance companies reason for concern.

Mr Yamaguchi learned two weeks ago the value of a policy he owned in Nissan Mutual, the life insurance group, would be cut after the company collapsed in April – the first such failure in the sector for 50 years.

And this has prompted him to try something the Japanese public has rarely done before – start a campaign to exert some consumer muscle over one of the country's mighty financial institutions.

"I never believed this type of *financial fraud could happen* in Japan," explained Mr Yamaguchi, as ha sat on rush matting in his tiny suburban front room. Next to him, his wife fielded streams of anguished calls from other policyholders. Piles of faxes lay on the floor. And *his teenage son was tapping* into a computer the names of those joining the protest group, the Nissan Mutual Victims' Association. In a week over 2,000 have joined.

"I have never ever got involved in a protest before, hnt I thought this time I must do something," Mr Yamaguchi added. "We get people calling up in tears about the money they have lost. People are so angry, some want to blow Nissan Mutual's building up."

The anger is understandable. For the tale of Nissan Mutual reveals an unpalatable side of the country's financial system that the Japanese government has often chosen to ignore.

Though Japan's largest companies have long offered employees pension schemes, self-employed Japanese, such as Mr Yamaguchi, had relatively few places to put their money. For the country lacks the well developed private pension industry common in the US and UK.

But *in* the *1980s, groups* such as Nissan Mutual started to sell special individual life assurance policies. Since these seemed secura and offered high returns, middle-aged people such as Mr Yamaguchi flocked to buy them.

But what the policyholders did not know – since there is no independent monitoring – is that Nissan Mutual faced a financial squeeze; although it had guaranteed these high returns, the collapse of the 1980s hubble meant the company could no longer make the returns on its investments needed to *match its liabilities*.

The ministry of finance knew of Nissan Mutual's problems two years ago. But the company continued to sell individual policies before the government closed it in April after it had notched up a startling Y300bn ($2.59bn) loss.

The life insurance industry *has now* offered to *provide* Y200bn to set up a new company, Aoba, to manage the claims. But policyholders are heing asked to accept some Y100bn of losses: Mr Yamaguchi, for example, expects to lose about Y10m, but says many policyholders are much worse off.

This marks a first for *Japan. Though* other *financial* institutions have failed, ordinary savers and deposit holders have never lost out. If the industry had hoped policyholders would react with typical Japanese stoicism, they were wrong.

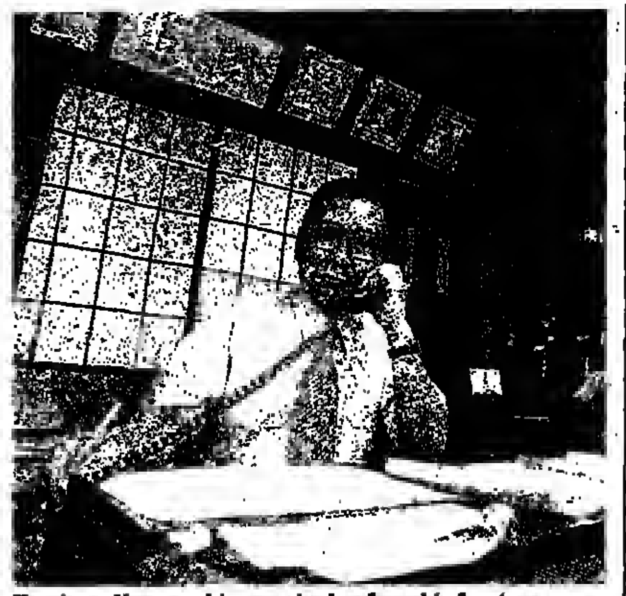
Policy holders have been given a mooth to vote on the scheme, and if more than 10 per cent reject it the plan *will fail. Mr Yamaguchi is* trying to get the necessary votes. Over a dozen lawyers have also offered to help the group to sue Nissan Mutual.

Their chances nf winning seem slim. Nissan Mutual has threatened to freeze all the policies if the plan is voted down. "Companies like Nissan Mutual have all the *big lawyers – I think it is* unlikely we can win in a law court," Mr Yamaguchi says.

But Mr Yamaguchi may have another weapon. For the biggest threat other life assurance companies face is that Nissan Mutual's problems could lead to a broader loss of confidence in the industry. In May, for example, the value of individual *policies held in Japan's 44* life assurance companies fell by a record Y3,361bn, as individuals cancelled policies.

The government insists this is a short-term aberration and says that no more companies will fail. Bnt many Japanese have already lost faith in the government's pledges about *financial institutions*. And winning this confidence back will made more difficult if Mr Yamaguchi continues to pnblicise Niasan Mutual's tale from his front room in Tokyo this summer.

Gillian Tett



Yasokazu Yamaguchi campaigning from his front room

Thailand seeks Japanese bank loan roll-over

By Gillian Tett in Tokyo

Mr Thanong Bidaya, Thailand's finance minister, yesterday appealed to Japanese banks to roll over their short-term loans to the country as part of a broad rescue package for Thailand in the aftermath of its recent currency turmoil.

Japanese banks yesterday refrained from making any concrete pledges of support at a meeting held with Mr Thanong in Tokyo, officials said.

The meeting comes amid growing expectations that Japan's banks, which account for almost half of all private sector debt to Thailand, are preparing to extend support to the country.

Yesterday's talks follow an announcement on Monday that the International Monetary Fund and a group of *Asian* countries, led by Japan, will provide a package of $16bn worth of loans to Thailand. This is more than the $14bn financing gap which Thailand currently faces, the IMF said.

Some observers suspect that Thailand may still ask for additional private-sector loans from private banks. However, Mr Thanong denied that he had asked for further specific loans from the Japanese banks yesterday.

The key support the Thai government is likely to seek is not so much new lending, but a pledge that Japanese banks will roll over the short-term loans that they have extended to the country.

Mr Thanong said on Monday that about half of the total $73bn private debt was *short-term in nature*.

Japanese banks are broadly prepared to provide support, officials yesterday said. But they are insisting that any agreement should come with the participation of other US, European and Asia banks.

Mr Lawrence Summers, US deputy Treasury secretary, said in a speech due to be delivered yesterday that Thailand's currency crisis highlighted the need for an open world financial system, Reuter reports from Washington. "Recent events in south-east Asia have only increased our desire to work to strengthen the world's financial systems," he said.

Editorial comment, Page 11.

King's abdication would damage Hun Sen's election prospects

Sihanouk back on centre stage

By Ted Bardacka
in Bangkok

Cambodia's King Norodom *Sihanouk has* thrust *himself* back into the thick of his country's political turmoil by suggesting he was ready to abdicate.

Such a step could allow him to lead tbe royalist opposition against Mr Hun Sen in elections scheduled for May oext year. The king said he would step aside if *asked* to by *Mr Hun Sen*, Cambodia's strongman. The two men held talks in Beijing yesterday where the monarch is receiving medical treatment.

Mr Hun Sen was accompanied hy his first prime minister Mr Ung Huot, who was appointed after a bloody conp last month in which the king's son Prince Norodom Ranariddh was deposed. The king revealed his position in a letter to his hiogra*pher just hours before* meeting Mr Hun Sen.

Neither the palace nor aides to Hun Sen would comment on tbe outcome of yesterday's five-hour meeting other than to say that the king had not yet abdicated.

The king had earlier indicated that he understood the political reality of his coun*try, but would not recognise* Mr Ung Huot as his son's successor nor offer his hiessings to the new government.

An abdication would pose a serious problem for Mr Hun Sen as he continues to consolidate power in Cambodia.

It would be a blow to his domestic popularity and jeopardise his pledge to the international community to keep Cambodia'a political system – a constitutional monarchy – intact.

The threat to abdicate suggests tbat as the constitutional monarch, King Sthanouk, 74 and with failing health, is simply fed up with his inability to exert inflnence over Cambodian politics and is looking for a final way to express displeasure with Mr Hun Sen's takeover.

Mr Hun Sen bas previously said members of the royal family should be barred from politics. With Prince Ranariddh, in effect, sidelined by Mr Hun Sen's threat to jail him if he returns to Camhodia, the king is seen as the only figure who could unite tbe now-divided royalists and defeat Mr Hun Sen in an election. As one analyst says: "Hun Sen's biggest fear is having to campaign *against* a *man* who *is* seen by Cambodian peasants as a god. He couldn't win and they wouldn't let him steal it either."

As a young man in the aftermath of the French retreat from Indochina, King Sihanouk abdicated and took the title of prince in order to become prime minister, a *position* be *held* until *being* ousted in a 1970 US-backed coup.

The King's move also came as the Association of South-east Asian Nations (Asean) appeared to step away from backing Prince Ranariddh as Cambodia's legitimate first prime minister.

Bollywood 'cassette king' slain

By Mark Nicholson
in New Delhi

Bollywood, Bombay's thriving movie industry, was yesterday robbed of one of its most celebrated rags-to-riches husinessmen after gunmen shot dead Mr Gulshan Kumar outside a Hindu temple in Bombay. A police *commissioner* described the slaying as an "underworld killing", prompting fears of a gangland extortion racket directed at the *filmi* community.

The 41-year-old Mr Kumar, known as India's "cassette king" and head of a music company which sells up to 200,000 tapea a day, was killed in a volley of hullets when four gunmen surprised him after his morning *puja* (prayers).

His murder brought a personal condolence from Mr I K Gujral, India's prime minister, who said Mr Kumar "had carved a nicbe for himself in the world of film music and his loss will be mourned by all music-loving people". Film-makers said they would strike today in his honour.

The *killing is the latest* in a series of attacks and threats against figures in Bollywood. Mr Mukesh Duggal, a film producer, was sbot dead in Bombay three months ago, whila Mr Rajiv Rai, another producer, survived a gunfight at his office after apparently refusing to pay his assailants protection money of Rs50m ($1.4m).

Personal armed guards fired back at the attackers, their action allowing a wounded Mr Rai to escape.

"Kumar's death is terribly shocking, but at this momant not surprising," said Ms Rits Mehta, editor of CineBlitz, a Bollywood glossy.

Bombay's thriving movie industry has long had connections with organisad crime, largely through the laundering of "black" money used to finance many of the all-singing, all-dancing Hindi musicals which make Bollywood the world's most prolific film capital.

But industry executives said they feared *filmi* figures had now become the target of extortion threats which, some said, have earlier been directed hy Bombay gangsters against the city's diamond merchants and real estate agents.

Mr Kumar's death deprives the industry of a self-made man whose ascent from streat orange-juica bawker to millionaire movie mogul might have been plotted for Bollywood.

His T-Series recording label eventually made him a millionaire by 30 and the private company, based at a *factory outside Delhi, is now* believed to turn over Rs400m a year and sell 200,000 cassettes and CDs a day, mostly of devotional songs and Hindi hits.

Mr Kumar's wealth – Press Trust of India reported he was India's biggest taxpayer in 1993 – propelled an industrial diversification into electronic goods, soaps, detergents and, finally, launched him into the glamorous world of Bollywood.

ASIA-PACIFIC NEWS DIGEST

Singapore spurt in manufacturing

Singapore's manufacturing sector grew by a healthy 9.3 per cent in June compared with a year ago as robust export orders for electronics goods led a recovery from last year's doldrums. Although the economy grew at an overall 7 per cent last year, a contraction in manufacturing output in the last two qnarters of 1996 raised fears of lacklustre growth.

The sharp improvement in June meant that the manufacturing sector grew 3.2 per cent in the second quarter of the year, after contracting in the previous three quarters. The performance of manufacturing, and especially the electronics sector, was the prime force behind the government's upward revision last week of its forecast for gross domestic product growth this year to 6-7 per cent from 5-7 per cent. In June, alectronics products posted an 11.8 per cent increase in ontput, after zero in May. Chemicals were the best-performing sector, with production climbing 26.2 per cent in June from 3.8 per cent in May.

James Kynge, Kuala Lumpur

■ AUSTRALIAN TAKEOVERS

Bidding rules changed

The Australian treasury is drafting proposals to change companies law which would scrap the rule that forces a corporate raider to launch a full takeover if it wants to acquire more than 20 per cent of a company. The rule change could damp bidding wars as the open auction system would disappear and a bidder could negotiate privately with a controlling shareholder to buy its stake. It would then hava to extend the offer to other shareholders. The "follow-on" rule is only one of several proposed changes to the companies law, said the treasury. Other issues being considered include increasing the role of the takeover panel and allowing greater flexibility for companies to acquire outstanding shares in their targets.

Elizabeth Robinson, Sydney

■ DIPLOMATIC TUG-OF-WAR

Taiwan claims African victory

Taiwan said yesterday it had re-established diplomatic ties with the Central African state of Chad, scoring a victory in a four decade diplomatic tug-of-war with arch-rival China.

The African nation had diplomatic ties with Beijing before switching recognition to Taipei. The announcement brings to 31 the number of countries that maintain official relations with Taiwan's exiled Republic of China government, although that number will fall to 30 at the end of this year when South Africa switches ties to communist China.

Reuter, Taipei

Treasury minister says target figure of 2.5 per cent will be achieved 'around September'

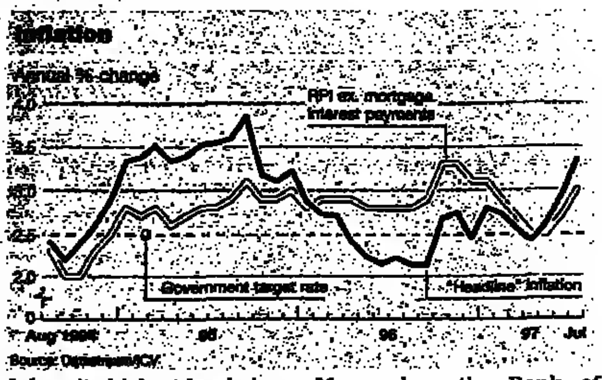
Inflation rate at highest for two years

By Richard Adams, Economics staff

The rate of inflation leapt last month, as increases in the cost of food, motoring and mortgages sent the annual increase in retail prices to its highest for almost two years.

The official figures, published yesterday, also showed increases in the price of houses and overseas holidays, which some economists say are evidence of higher consumer spending spilling over into higher prices.

The Office for National Statistics (ONS) said its all-items index showed a rise of 3.3 per cent in the year to



July – its highest level since September 1995. The RPI rose 2.9 per cent in the year to June.

The headline figure was pushed up by increases in mortgage payments since May, when the Bank of England, the UK central bank, was given control over setting interest rates.

The ONS said average mortgage rates went up by 0.28 per cent during the month as lenders responded to base rate rises in May and June.

The government's target rate of inflation – RPI(X), which excludes mortgage rate payments – also recorded a sharp rise last month. The annual rate in July was 3 per cent, well above June's 2.7 per cent and the government's 2.5 per cent target. July's data mean that, according to the latest figures, the UK now has the highest rate of inflation among the Group of Seven nations.

In an unusually forthright statement, Mr Geoffrey Robinson, a Treasury minister, predicted that RPI(X) would soon fall back to meet the government's target rate.

"If the Budget numbers work through, and we get some of the benefits from the Budget as well on the disinflationary side, we can look forward to it being on target within the next couple of months," Mr Robinson said.

Asked if he meant it would be back to 2.5 per cent by September, Mr Robinson said: "Around that period. We should be pretty much in line with the targets we set the Bank . . . 2.5 per cent."

The Treasury said that last month's figures had been distorted by a number of "one-off factors" such as the Budget's rise in petrol excise duty, while September's index would be reduced by the cut in value-added tax on fuel.

The ONS said the increase in road fuel duty added an average of 4 pence per litre to petrol, an annual rise of 14.8 per cent.

What must worry the Bank of England is that the influence of the strong pound in keeping down prices appears to be waning, especially in commodities and raw materials.

Setting aside the higher petrol costs, goods inflation has been 0.4 per cent in the last two months alone. Should sterling make a sharp retreat, higher inflation could creep back in.

'St John' avoids presidential question

N Ireland peace broker may seek nomination as republic's head of state

Mr John Hume, leader of the moderate nationalist Social Democratic and Labour party in Northern Ireland, kept everyone guessing yesterday. After a morning of media interviews, an appearance at his local party office, and a trip across the border to a relative in county Donegal, Northern Ireland's best known politician declined to be drawn on the one question on everyone's lips: will he run for the presidency of the Republic of Ireland?

"I am aware of the speculation," said the 60-year-old MP for Foyle, explaining that he had had no time to consider the idea or consult with his colleagues. But, noticeably, he did not rule it out.

The speculation that Mr Huma will put his name forward to succeed the popular Mrs Mary Robinson has intensified this week. A senior minister in the Fianna Fail-led government in the republic has urged his own party's candidate – the former prime minister Mr Albert Reynolds – to step aside.

Nominations must be submitted by the end of September. If he ran, Mr Hume would probably have the backing of the main political parties in the Republic – thus avoiding the need for an election. A weekend poll suggested that Mr Hume was twice as popular as Mr Reynolds, the second choice. Dana, the pop singer who put her name forward this week, needs the endorsement of 20 members of the Irish parliament to be nominated, which most commentators think unlikely.

If Mr Hume won the presidency, he would have to give up all his political posts. He would have to stand down as SDLP leader, as an MP in the British House of Commons and as a member of the European parliament for Northern Ireland.

In deciding whether to stand, this former schoolteacher who was a leading figure in the civil rights movement of the 1960s is likely to weigh his personal ambitions with those of his party, which has recently faced a sustained electoral challenge in Northern Ireland from Sinn Féin, the political wing of the Irish Republican Army.

The symbolism of a Roman Catholic from the north residing in the presidential palace in Phoenix Park, Dublin, would carry a potent symbolism. But Mr Hume will also be sensitive to the alarm it might trigger among Northern Protestants, who might feel it is Irish unity by default.

The presidency, particularly under Mrs Robinson, has maintained a strict detachment. Mr Huma might find it hard playing the spectator's role whatever the other attractions of the job, just as his lifetime's ambition of bringing a political settlement to Northern Ireland seems so close to fruition.

Some anti-nationalist politicians have been noticeably upbeat about Mr Hume's mooted candidacy, only too happy to see "Saint John", as he is sometimes called, removed from Northern Ireland politics.

But for many moderate nationalists, Mr Hume remains the only politician who would have the authority to carry an agreement, which as even some in Sinn Féin now concede, will fall short of Irish unity.

Perhaps the real reservation Mr Hume would have about standing is the damage his departure might inflict on the SDLP, with its poor organisation and elderly image. It would have to choose a new leader and such a move would trigger a by-election in Mr Hume's constituency. Should the seat be taken by Sinn Féin, the SDLP would be reduced to just two MPs in the British House of Commons against Sinn Féin's three.

John Murray Brown


Reuters

John Hume: as president, he would have to give up political posts including his membership of the European parliament

Labour party lessens reliance on unions

By George Parker, Political Correspondent

Efforts by Mr Tony Blair, prime minister and leader of the Labour party, to loosen the party's dependence on the trade unions was boosted yesterday with the disclosure that individuals and businesses provided more than half the party's income in 1996, for the first time in its history.

Until then, Labour had relied on the unions to meet the majority of its organisational and election costs, but the union contribution represented only 45 per cent in 1996.

Senior Labour officials trumpeted the news as further evidence of Mr Blair's claim that Labour is becoming a broad-based party, with growing support from the business community.

The party's accounts will not be published until later this month, but the figures were released yesterday in an attempt to deflect attention from bitter feuding in the Scottish Labour party.

The figures for the 1996 calendar year will show that 45 per cent of the party's income came from unions, while 55 per cent came from individuals and fundraising.

In 1988, less than 10 per cent of the party's funding came from individuals, with the rest coming from unions. "It shows the huge change there has been within the party," said a spokeswoman. "It shows that we now have so many members, and also the professionalism of the party in terms of fundraising."

Labour's total income for 1996 was £17.1m ($27.9m) compared with £12.5 million in 1995, although such an increase is common in the run-up to the general election. The party is thought to have a £4.75m overdraft, much of it the legacy of the election campaign.

The accounts, to be published towards the end of this month, will also include the names of people and organisations which gave over £5,000. The party is confident that business donations may also increase now it is in government, not least because some companies might wrongly believe that such generosity could buy influence.

Labour also attempted to claim its openness on funding contrasted with alleged secrecy in the Conservative party, in spite of Mr William Hague, the Tory leader, promising a "fresh start" in his party's funding arrangements three weeks ago.

However, the Conservatives insisted that they too would name large donors and ban all foreign donations under a thorough overhaul of party finances. A new board of trustees has been appointed to oversee the project.

Daewoo's US plan may delay expansion

By Haig Simonian, Motor Industry Correspondent

Plans by Daewoo, the South Korean carmaker, to extend its automotive engineering operations in the UK may be delayed as the company decides whether to establish an engineering base in the US.

Daewoo says it needs to double its research and development specialists to more than 8,500 to meet its ambitions to develop a full range of cars and commercial vehicles by early next century.

But while the company's UK engineering operations have mushroomed since buying IAD, based in Worthing on the south coast, in 1994, it is unclear whether growth in the UK will be maintained beyond a new engine facility already on the cards.

Daewoo now employs about 1,000 engineers in Worthing – about six times more than worked for IAD before the takeover. The company has 240 vacancies for engineers and computer specialists.

The UK research and development base has grown beyond its original function of "Europeanising" Korean products. Most of its efforts are focused on styling and body and chassis development, and providing a platform for advanced technology and prototype building.

However, further expansion at Worthing, which was crucial in developing Daewoo's new Nubira mid-sized car, may be compromised by the group's ambitions to export vehicles to the US.

Daewoo engineers say the company will probably want to establish a significant engineering presence in the US to support its launch. Daewoo was expected to start selling cars in the US late this year, but is now believed to have postponed its plans until 1998.

The creation of a US base would not prejudice Worthing's future, say local officials. However, it would probably mean that Daewoo would concentrate much of its future non-Korean research and development work in the US.

Gains for Toyota and Volvo

Registrations of new cars

	Jul 1997 Volume	Jul 1997 Change %	Jul 1997 Share %	Jul 96 Share %
Total Market	[illegible]	[illegible]	100.0	100.0
UK Produced	10,665	-23.5	29.6	35.6
Imports	25,404	[illegible]	[illegible]	64.4
Japanese makes	4,506	6.6	12.5	10.6
Ford group	4,429	[illegible]	[illegible]	14.8
Ford	[illegible]	-24.2	12.0	14.6
Jaguar	[illegible]	[illegible]	[illegible]	[illegible]
General Motors (1)	4,726	-14.0	13.1	14.0
Vauxhall	4,550	-13.2	12.6	13.4
Saab	176	-30.4	0.5	0.6
BMW group	[illegible]	[illegible]	[illegible]	15.7
BMW	[illegible]	[illegible]	[illegible]	[illegible]
Rover (2)	[illegible]	[illegible]	[illegible]	14.2
Peugeot group	4,386	2.0	12.2	11.0
Peugeot	3,046	-4.3	8.4	8.1
Citroen	1,340	20.2	3.7	2.8
Volkswagen group	[illegible]	[illegible]	[illegible]	12.1
Volkswagen	[illegible]	[illegible]	[illegible]	8.9
Audi	[illegible]	[illegible]	[illegible]	1.2
SEAT	[illegible]	[illegible]	[illegible]	0.9
Skoda (3)	[illegible]	[illegible]	[illegible]	1.0
Renault	2,352	28.2	6.5	4.7
Nissan	[illegible]	[illegible]	[illegible]	[illegible]
Toyota	1,149	56.5	3.2	1.9
[illegible]	[illegible]	[illegible]	[illegible]	7.1
[illegible]	[illegible]	[illegible]	[illegible]	6.7
[illegible]	[illegible]	[illegible]	[illegible]	0.4
Volvo	711	30.9	2.0	1.4
Mercedes-Benz	[illegible]	[illegible]	[illegible]	2.0
Honda	548	-6.8	1.5	1.5
Mazda	[illegible]	[illegible]	[illegible]	0.6
Korean makes	1,444	-21.1	4.0	4.7

1) GM holds 50% of Saab Automobile and has management control.
2. Includes Range Rover/ Discovery
3. VW holds 70% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders

EDS is recruited to state welfare efficiency review

By Liam Halligan, Political Staff

Electronic Data Services, the US computer services company already heavily involved in work for the UK government, is part of a consortium to examine ways of increasing efficiency in the Benefits Agency, it emerged yesterday.

Trade unions said they viewed involvement by private sector managers as "the beginning of the privatisation of the benefits system".

Three consortia are to provide 12 months of free consultancy to the agency – the semi-independent government body which annually administers social security payments of £76bn ($123.9bn) – in an effort to deliver benefits more efficiently.

The consortia, which comprise EDS, AT&T and Sema group as prime contractors, will be in a strong position to bid for lucrative contracts if private sector involvement is extended.

Mr Frank Field, minister for welfare reform, said: "We're asking the private sector to take a look at how we do our work, in a bid to deliver to taxpayers the best possible benefits service."

But the move brought "profound concern" from the Civil and Public Service Union, which represents the majority of the 77,000 Benefit Agency staff. "We are worried about jobs cuts and staff morale," it said. "These firms will come in and cherry-pick the best work."

Mr Iain Duncan-Smith, the opposition Conservative party's social security spokesman, was "disturbed" that the announcement was made in the parliamentary recess. "This marks the beginning of a major rethink on the delivery of benefits," he said. "Why is it being sneaked out over the summer?"

The three consortia will partner the Benefits Agency in different regions of England. Each is expected to provide about 40 consultants at a cost of £6m. "The government wants to tap into private sector knowhow, and is effectively getting help for free," said Mr Marwan Rifka, chief executive of the EDS-led consortium.

Mr Rifka stressed there was no guarantee of a contract at the end of the "experimental" attachments, but said: "I don't think the government would do this unless it was serious."

Consultants will make suggestions on IT, management and combating benefit fraud – now accounting for 10 per cent of the £100bn annual social security budget. Mr Field denied the agency would be privatised.

External investment in property rises steeply

By Norma Cohen, Property Correspondent

Buyers outside Britain have increased steeply their purchases of UK property in the first six months of 1997, says DTZ Debenham Thorpe, a firm of international property advisers. It adds that total external investment for the year is poised to outstrip the peak years of 1989 and 1990.

DTZ Debenham Thorpe calculates that direct non-British investment in the UK totalled £2.37bn ($3.86bn) in the first half of 1997. This already exceeds the £2.16bn invested by external sources in 1996.

This year, overseas investors have accounted for 27 per cent of all property investments valued at £1m or more. Mr John Rigg, director of international investment at DTZ, said there were no signs of external investment slowing during the second half of 1997.

Unlike 1996, when figures were distorted by a single £700m investment in the Canary Wharf development in the Docklands district of London, no one project has swollen the 1997 data.

"The investment is largely a function of the right UK economic indicators being in place," Mr Rigg said. Strong economic growth has translated into a buoyant market for rental incomes, while medium-term debt financing remains relatively low.

Also, the practice of placing tenants on long-term leases, allowing upward-only rent reviews, makes Britain appealing to investors elsewhere. The UK looks attractive when compared with other European property markets, according to DTZ.

Since 1993, rental incomes have fallen 14.3 per cent in Paris and 2.9 per cent in Brussels, but they have risen by 38 per cent in the Mayfair district of London and by 50 per cent in the City of London.

The UK is also benefiting from institutional investors increasingly viewing property as a global asset and weighing the merits of various national markets against each other. "Property has become a global village," Mr Rigg said.

Of the external buyers, German open-ended property investment funds are the most active, according to DTZ.

These funds, which are sold to small retail investors through the largest German banks, are increasingly looking abroad to invest.

Stagnant economic growth in Germany has depressed rental incomes, with those in the Frankfurt office market falling by 20 per cent since 1993.

UK NEWS DIGEST

Skills shortage 'getting worse'

The shortage of skilled workers is worsening, especially in the computer industry, the London Chamber of Commerce and Industry said yesterday. Its latest quarterly survey said 60 per cent of companies in London and south-east England had difficulty in recruiting workers, especially professional and managerial staff.

The survey of 243 organisations found that 84 per cent of service sector companies and 73 per cent of manufacturers tried to recruit in the last quarter. Jobs growth was reported by 31 per cent of service companies and 27 per cent expected further growth in the next quarter.

The LCCI said: "One in five information technology professionals are expected to change jobs this year. In the Thames Valley, computer network managers are staying in post for only three months on average. One company has had 10 network managers in the last 14 months."

Skills shortages are also affecting other white-collar industries such as accountancy, financial services, retailing and the health sector. Mr Simon Sperryn, chief executive of the LCCI, said: "The skills shortages in computing throughout industry are especially worrying."

"The problem is there is international demand for good people. A lot of European countries are gearing up for the single currency – and the millennium problem [computers failing to read the date 2000 correctly] is also international." *Andrew Bolger, London*

■ US INVESTMENT

$8m plant set for Scotland

A US electronics sub-contractor is setting up an $8m manufacturing plant in Hamilton, Scotland, to serve the European market. Altatron, a privately-owned company which was founded in California in 1984, designs and assembles printed circuit boards for other companies on a turnkey basis. It expects to employ 300 people from Hamilton in the next three years.

The company had sales of $50m in 1996 and expects turnover this year to reach $100m. It employs 600 people at five plants in California and Texas.

Altatron will occupy a 45,000 sq ft property on the Hamilton International Technology Park, which is part of the Lanarkshire enterprise zone set up following the closure in 1992 of British Steel's nearby Ravenscraig complex. Enterprise zones offer companies which locate in them 100 per cent tax write-offs in the first year of investment and 10 years' exemption from business rates (local taxes), making them attractive business locations.

Mr Ray Warrington, vice-president for corporate development at Altatron, said the European market provided an unrivalled opportunity for the company – which has doubled in size in the past three years – to continue its high rate of growth. *James Buxton, Edinburgh*

■ RECORD RETAILING

US company plans internet launch

Tower Records, one of the world's largest music retailers, plans to launch an internet record store this year as a UK version of its online sales operation in the US. Tower Records said that its UK internet site would stock roughly 350,000 albums, videos and books.

Virgin Megastores, part of the W.H. Smith retail concern, and HMV, the record chain owned by the EMI music group, also intend to start selling compact discs, videos and other entertainment products from UK-based internet sites this year. *Alice Rawsthorn, London*

■ FILM RELEASES

Bean beats Four Weddings

Bean: The Ultimate Disaster Movie set a record for a British film by taking £2.56m ($4.17m) at the UK box office during its first three days of release. However, it was beaten into second place in the box office charts by *Men In Black*, the Hollywood blockbuster financed by Sony Pictures, which took £3.38m during the same period. *Men In Black* broke UK box office records by earning an unprecedented £7.07m during its opening weekend.

Bean has already taken more than $15m in Australia, New Zealand and Holland, the first three countries in which it opened, thereby recouping most of its £15m production budget. It won the British record from *Four Weddings And A Funeral*, which took £1.4m during its opening weekend three years ago.

Four Weddings was co-produced by Working Title, the subsidiary of PolyGram, the Dutch entertainment group which produced *Bean*. Rowan Atkinson, star of *Bean*, appeared in *Four Weddings*, and the scripts of both films were written by Richard Curtis. *Alice Rawsthorn, London*

■ POLITICAL ASYLUM

Wheelbay stowaway loses appeal

A man who applied for asylum in Britain after travelling from India in the undercarriage of a Boeing 747 has been ordered to leave the country, the Home Office said yesterday. Mr Pardeep Saini, 23, held on in the wheelbay of the 10-hour British Airways flight from Delhi until it landed at London Heathrow airport. His 19-year-old brother, who was with him, died during the flight. His body fell from the aircraft as the undercarriage was lowered for the approach to London.

Mr Saini had claimed that, as a Sikh, he faced persecution in the Punjab region because of his suspected links with extremists. But the UK Home Office has rejected the application after months of appeals.

Mr Claude Moraes, director of the Joint Council for the Welfare of Immigrants, said there had recently been an increase in the number of people stowing away in "dangerous conditions" because "conventional methods" of claiming asylum were becoming increasingly closed to applicants.

■ MERGERS AND TAKEOVERS

Legal fees continue to soar

Legal fees for UK public takeovers have continued to soar during the first six months of 1997 in spite of another fall in the value of deals, according to Acquisitions Monthly magazine.

The City of London earned about £1.1bn ($1.8bn) from mergers and acquisitions in 1996 of which law firms took about £300m. Acquisitions Monthly estimates that the City will earn record fees of around £1.2bn in 1997 with law firms taking more than £400m.

The 1996 fees represented an increase of about £100m over the figure for 1995 which was a record year both for the number and value of deals. The magazine says a notable feature of the 1997 rankings is the absence of any regional or national law firms in the rankings, underlining the dominance of the City firms. *Robert Rice, London*

Legal advisers: UK takeovers Jan–June 1997

Law Firm	No. of deals	Value (£m)
1 Linklaters & Paines	18	5,937
2 Ashurst Morris Crisp	11	5,463
3 Clifford Chance	6	4,348
4 Slaughter and May	16	4,325
5 Freshfields	16	4,305
6 Herbert Smith	8	3,239
7 Allen & Overy	3	2,720
8 Simmons & Simmons	3	1,125
9 Lovell White Durrant	5	716
10 Macfarlanes	3	550

Ranked by value of transactions based on completed and failed offers for UK public companies. Source: Acquisitions Monthly

INFORMATION TECHNOLOGY

Interview · **Stephen Roach**

Freedom fantasy

The US economist tells **Victoria Griffith** that investment in IT has failed to fulfil its promise

Back in the 1960s, computer buffs dreamed of the day technology would make all of us feel like royalty. Robots could be programmed to bring us coffee, make our beds and fetch the newspaper. We would all be freed up to follow worthwhile pursuits like furthering our education and spending more time with our families.

It didn't happen. Yet 30 years later, according to Stephen Roach, chief economist at the investment bank Morgan Stanley, corporations are succumbing to the same sort of fantasy by believing that investment in computers and multimedia advances will boost the productivity of their workforces.

"The productivity gains of the Information Age are just a myth," says Roach. "There's not a shred of evidence to show that people are putting out more because of investments in technology." As evidence, be compares the US service industry, which he estimates is responsible for 80-85 per cent of information technology expenditures over the past decade, to US manufacturing, which has spent just 15-20 per cent of the total. If computers boosted productivity, Roach argues, services should show higher output-per-worker advances than manufacturing. Yet just the opposite is true. Throughout the 1990s, productivity in manufacturing has risen more than 3 per cent a year on average. In services, average annual gains have been less than 1 per cent.

Another indication is productivity growth in the seven richest nations over the past three decades. Since these countries have invested most heavily in information technology, it instinctively follows that their productivity should be accelerating. Yet productivity growth has actually declined in these countries, from an average of 4.5 per cent a year in the 1960s to 1.5 per cent a year in the 1990s. In the US, where output per worker has grown faster than in Europe, Roach believes most of the gains can be attributed to the longer hours Americans are spending at the office.

Roach says a failure to redesign the workplace and educate workers forms the crux of the problem. For computers to bring sustained gains in productivity, he explains, they must allow employees to concentrate more on value-added duties such as product development, customer relations, and corporate strategy. Yet, according to Roach, that hasn't happened.

"ATM machines meant bank tellers could be directed to more important duties, hut in general, they weren't," says the Morgan Stanley economist. "Many were aimply fired. Others are just doing less work than they used to, and still others were siphoned off to other areas where the banks still haven't quite figured ont how to use them."

The substitution of computers for human labour has caused a one-off productivity lift in some sectors, Roach concedes. Workers in the telecommunications industry boosted their output by about 7 per cent per hour between 1973 and 1983, for instance. These gains were accomplished largely by automating routine tasks, then chopping excesa workers from the payroll.

Yet for sustained growth of employee output, says Roach, that same workforce must perform in a higher sphere. Most unskilled labour is not capable of that, he argues. "Human intelligence and poor education places a ceiling on the productivity growth we can get from automation," he explains. "If the brain power just isn't there in a segment of the population, take them from routine tasks, and they become dead weight."

What if technology were used to free up educated rather than unskilled workers? Some companies are trying to do this hy programming computers with "management" skills. The Italian clothing group Benetton has just signed an agreement with the computer company International Business Machines to allow for automated store inventory control. A computer at headquarters, for instance, would decide just how many red sweaters the location should have on stock, and when they should be replenished – tasks once assigned to human shop managers. The motorcycle group Harley-Davidson is setting up similar technology.

Roach is sceptical that these programmes will boost corporate output per worker. "There's been a lot of talk about artificial intelligence over the years, but it's doubtful that computers can ever be made to think like humans," says the Morgan Stanley economist. What about the IBM computer Deep Blue's recent win over chess champion Garry Kasparov? "That's just data processing," says Roach.

Is it possible that companies have failed to see substantial productivity gains simply hecause they are spending money on the wrong sort of information technology? "That may be part of it," says Roach. "There is certainly a lot wasted on worthless projects. But a bigger problem is that companies don't accurately price out technology versus human capital. It's not just comparing someone'a salary over a number of years to the cost of a computer. Once you invest in the computer, you have to spend a fortune on maintenance, programming, and everything else that comes with it. All of that can easily add up to the cost of the workers you got rid of."

Roach worries abont the limited flexibility companies will have in the next recession to reduce their cost structure.

Roach says he is not advising companies to stop investing in technology. Some automation is necessary, he remarks, just to keep up with the competition. Future productivity gains from computers cannot be ruled out. "The Information Age may end np having a big impact on productivity further down the road," he concedes. "What I'm saying is that it hasn't yet, and there's no guarantee that it ever will."

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Watching brief

Net commerce 'to expand at breakneck pace'

Consumer electronic shopping on the internet may have failed to take off yet, but a new study from Forrester Research, a Massachusetts-based technology market research firm, suggests business-to-business internet commerce is poised to explode.

Forrester, which is launching a new business, trade and technology strategies service for its subscribers, predicts that internet commerce will grow at a breakneck pace during the next four years with the value of goods and services traded between companies jumping from $8bn this year to almost $330bn in the year 2002. According to Forrester, the effect of this growth will lead to unprecedented efficiency in trading processes. The billions of dollars generated on the internet will spawn what Forrester calls a new "dynamic trading process".

"Right now there are three distinct types of internet business trading processes, auction, bid and catalog," says Blane Erwin, director of Forrester's new service and author of the report.

"Each of these will evolve, becoming dynamic, as the internet strips away days and dollars, and adds more suppliers and buyers."

Forrester Research; tel US 6174977090, web www.forrester.com

Multi-user e-mail package

Electronic mail has become a vital communications medium for most companies. However existing e-mail software packages have been slow to adapt to the demands of modern businesses, and in particular to manage complex multiple e-mail accounts.

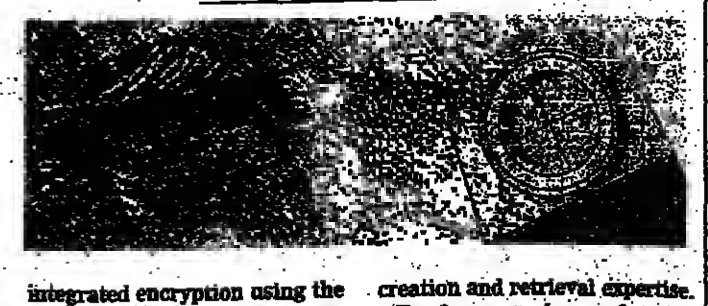
Now however, NetcPlus, a UK-based company, has developed a professional, multi-user e-mail client package which enables users to check and manage multiple accounts without the need for endless reconfiguration.

The new package, called SmartMail, allows individual users to poll multiple e-mail accounts, or for several users' mail to be collected at one PC without loss of privacy.

Other features include integrated encryption using the industry standard PGP (Pretty Good Privacy) system, multiple signatures, stationery templates and advanced filtering including a "mail back" feature similar to a fax-back service.

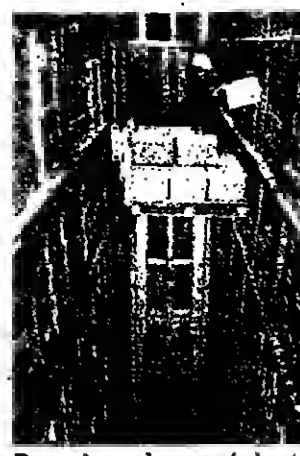
SmartMail can also be configured to collect or send mail unattended either periodically or at specific times of day, and to delete mail older than a set limit.

The package costs £39.50 + Vat and can be downloaded for evaluation purposes from www.netcplus.com.



Documents on the extranet

Businesses produce billions of pieces of paper each year and face a growing problem of what to do with it. Off-site storage can be costly, and retrieval difficult, while on-site storage takes up precious space. And even if an imaging system is used, most businesses like to keep the paper as back-up.



Paperchase: documents in store

An internet-based solution to the problem, Valid Vault, has been launched by Valid Information Systems, working in partnership with Securicor in the UK. The system, which has taken three years to develop, harnesses Securicor's transportation and storage skills with Valid's image creation and retrieval expertise.

For 2p a page, boxes of paper are collected as usual, and the paper is scanned and stored. The image is then read by a Valid system called ICIRis, creating a random access database. For retrieval, rather than looking through a manual system and telephoning the storers, the client uses encrypted software to connect to the Valid Vault extranet (a limited access, external intranet) and types in inquiries to locate the document.

Valid Informations Systems, tel UK (0)181 518 1414, web www.valinf.com

Underwriting gets a new life

Little use is yet made of the internet for the purchase and servicing of life insurance products, and many insurers' web sites are static, permitting only illustrative quotes.

FMS, the Dublin-based software company, is hoping to change that with a new product called E'Quote to be launched next month. The big breakthrough, says FMS, is an automatic underwriting facility, which takes the internet beyond an advertising and information forum for the life industry to an effective point-of-purchase and point-of-service channel.

"We have done for sophisticated life products what has previously been realistic only for book or record-type sales," says FMS managing director Jim Maher.

The automatic underwriting facility, along with real-time interactive product illustrations, produces client specific quotations.

FMS, tel Ireland 12952549, e-mail info@fms.ie or web, www.fms.ie

Compiled by Paul Taylor and Andrew Baxter. Information for the next Watching Brief on August 27 can be faxed to Vanessa Houlder on (0)171 873 3950, or e-mail vanessa.houlder@FT.com

---

To the shareholders of

GN Great Nordic Ltd.

NOTICE IS HEREBY GIVEN by the Board of Directors that an extraordinary general meeting of the Company will be held on Thursday 28 August 1997 at 1.30 pm at Industriens Hus, H.C. Andersens Boulevard 18, DK-1787 Copenhagen V, to transact the following business:

(a) To consider and, if thought fit, pass a resolution to change the authority conferred under Article 4 of the Company's Articles of Association in such a way that it will be possible, inter alia, to increase the share capital through the issue of shares by way of cash contribution without giving existing shareholders pre-emptive rights of subscription where subscription is effected at market price, and to introduce a restriction on voting rights of 7.5 per cent of the Company's share capital and to update and modernise the Articles of Association in their entirety.

For the passing of the resolution set out under item (a) on the agenda, it is required under section 79(2) of the Danish Companies Act that the resolution be carried by nine tenths both of the votes cast and of the voting share capital represented at the general meeting.

From Monday 18 August 1997 the agenda and the full and complete resolutions to be proposed at the general meeting will be available for inspection by the shareholders at the Company's registered office, Kongens Nytorv 26, third floor, Copenhagen K, and in Great Britain at the Company's office, Great Nordic House, 204 Godstone Road, Surrey, and at Hambros Bank Ltd., 41 Tower Hill, London. Not later than eight days prior to the general meeting the above material will be posted to every shareholder on the Company's register of members at such addresses as the shareholders have supplied to the Company.

Admission cards to the general meeting will, until five days prior to the meeting, be available on request from the Company's office on all weekdays (Saturdays excluded) between the hours of 10 am and 4 pm to any shareholder who can prove a good title to his shares. As far as bearer shares are concerned, the shareholder shall prove his title to such shares by presenting a statement of his holding of shares in the Company, dated 15 August 1997 and issued by the shareholder's account-holding bank.

Any right to vote shall be conditional upon the voting share being registered in the name of the shareholder and entered in the register of members and upon the shareholder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has acquired the share by way of transfer, the share shall furthermore have been registered in the name of the shareholder by the date when the general meeting is convened.

Copenhagen, 12 August 1997

The Board of Directors

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to General Telecommunications Limited, Eurobell Holdings PLC and Cable Thames Valley Limited (the "Licensees").

1. The Secretary of State hereby gives notice as follows.

a. that she has duly reconsidered the proposals in respect of which she published notices on 12 June and 20 June respectively under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding her intention to grant licences under the Act to General Telecommunications Limited and Eurobell Holdings PLC to run telecommunications systems throughout the United Kingdom. She also stated her intention to grant a licence to Cable Thames Valley Limited to run telecommunications systems in London and the counties of Bedfordshire, Berkshire, Buckinghamshire, Hertfordshire, Hampshire, Leicestershire, Northamptonshire, Oxfordshire, Staffordshire, Surrey, Warwickshire, West Midlands and Wiltshire (Cable Thames Valley Limited's Licensed Area);

b. that she has granted such licences ("the Licences") to the Licensees, being licences which include conditions such that section 8 of the Act applies to them, thereby making the Licensees eligible to have the telecommunications code contained in Schedule 2 to the Act applied to them under section 10 of the Act;

c. that she has applied the telecommunications code ("the Code") subject to certain exceptions and conditions, to General Telecommunications Limited and Eurobell Holdings PLC throughout the United Kingdom and to Cable Thames Valley Limited in Cable Thames Valley Limited's Licensed Area. The effect of the exceptions and conditions to the application of the Code is that each of the Licensees will each have duties:

(a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, the National Trust, relevant electricity suppliers and additionally, in respect of the licences for General Telecommunications Limited and Eurobell Holdings PLC, Scottish Natural Heritage, the National Trust for Scotland and the Countryside Council for Wales;

(d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in each licence to the Licensees powers under the code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

2. The Secretary of State has applied the Code to the Licensees:

a. because the Licensees will each need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under each of the Licences;

b. subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

3. The Secretary of State has granted the Licences because she considers that they will help satisfy demands in the United Kingdom, or in the case of Cable Thames Valley Limited in the Cable Thames Valley Limited's Licensed Area, for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

4. Each Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licence.

5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £12.00, postage and packing free.

Anthony J Eden-Brown
Department of Trade and Industry — 12 August 1997

Television/Clement Crisp

A pirouette through August

Throughout this month BBC2 has brought back its *Summer Dance* series, and our gratitude goes to producer and director Bob Lockyer for organising it. Gratitude, too, for most of the programmes on offer: they cover a welcome variety of dance.

Three items seem to me of exceptional interest, each concerned with American dance. One, Paul Taylor's *The Wrecker's Ball*, is a record of three of his recent dances, and of course is irresistible. The other two explore the creative process: how Jane Dudley revived her vastly touching *Harmonica Breakdown* which she created 60 years ago (a statement which makes it sound ultra-earnest, which it is not!), and how Merce Cunningham made his recent *CRWDSPCR* (computer-speak which lacks vowels).

The Wrecker's Ball is Paul Taylor looking at popular music: Andrews Sisters' hits from the 1940s for *Company B*; ghastly joke music from the 1950s for *Funny Papers*; the 1960s hippie tunes of Harry Nilsson for *A Field of Grass* – and we may hazard what kind of grass it is, given the historical period. All three are fine and very atmospheric works: how acutely Taylor captures an era. They are performed with great elan by Taylor's company, and the added joke is that their setting is a dance-hall awaiting the swinging ball of the demolition gang, with Taylor glimpsed as a tramp squatting on the premises. (I wish he were still dancing, though: just a step from him is worth a great deal). Admirable filming and direction by Matthew Diamond. Transmission is on August 15.

Jane Dudley, who has done so much as a teacher for London Contemporary Dance, made *Harmonica Breakdown* for herself as a comment on the bravery of ordinary folk during the American Depression. It is still a beautiful, heart-torn piece, and as she teaches it to the splendid Sheron Wray, Dudley explains each gesture, each pose and step. The creative process becomes absolutely clear, and a small work of great art comes to life. The programme lasts 15 minutes and is perfect. Direction by Darshan Singh Bhuller and Tom Hurwitz (on August 29).

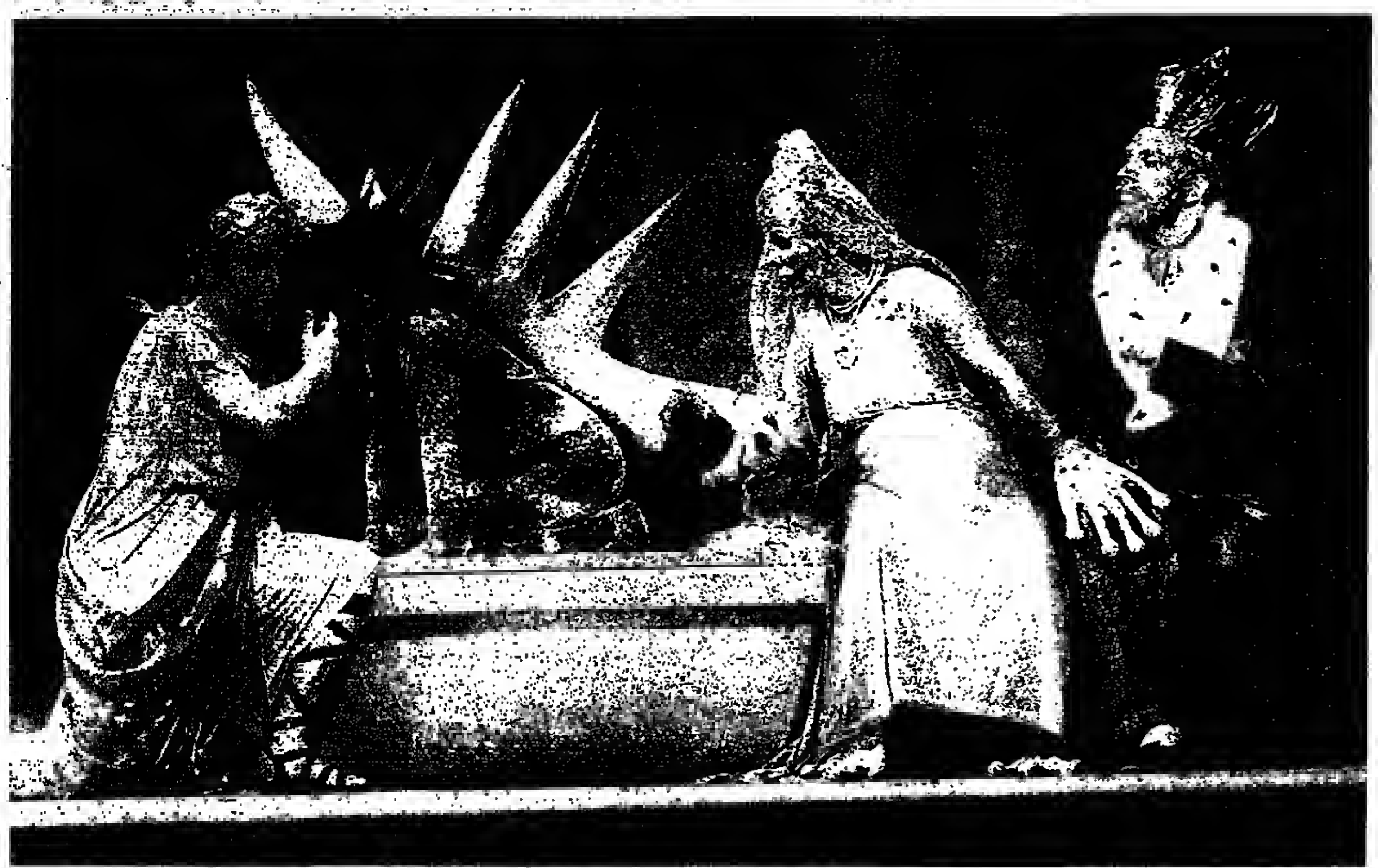
CRWDSPCR has already been shown, and viewers will have been given remarkable insights into the way Merce Cunningham works, and how his studio, his company, his life-style seem an integrated whole. The dance is fascinating. Fascinating, too, the way we learn about computer-generated dance. Most rewarding of all, the way we see Cunningham, despite increasing lameness, as an indomitably eager creator, ever seeking new horizons, and still able to continue on an artistic journey that began 60 years ago.

A very welcome revival on August 5 was Robert Cohan's *Nymphéas*, filmed by Bob Lockyer in 1983. There were the artists of the London Contemporary troupe at a peak of excellence – how good to see such dancers as Linda Gibbs and Patrick Harding Irmer again – in a subtle study in light and shimmering movement (Giverny-inspired). Debussy piano music, inevitably, and lighting and camera-work that seemed iridescent.

Other revivals in the season are less significant: a re-run of Lloyd Newson's *Enter Achilles* for his DV8 troupe was in effect a recognition that it had won last year's Italia prize, and *Smoke* (due to be seen on August 16) was the most successful item from Sylvie Guillem's costive *Evidentia* series of two years ago. *Smoke* also won the Italia prize, which must be a tribute to something, though not, I'd venture, to Mats Ek's lumpen choreography.

Ek's nasty way with dance was fully revealed in *Carmen*, seen last Sunday. This used (as one uses a door-mat) Rodion Shchedrin's clattering assault on Bizet's opera. (It served to accompany Plisetskaya – Shchedrin's wife – in her thrilling impersonation of Carmen 30 years ago). Ek's version starred Ana Laguna, a dancer of intense feeling and menacing presence, who rampaged through the gloom (the production was so murkily lit that it should be called *Shot in the Dark*) and gets her come-uppance from Marc Hwang's twitchy José. There was an ill-defined but attendant crowd, and the whole thing looked very Strindbergian indeed – not perhaps surprising since it was a Swedish TV effort. I expect *Carmen* has another meaning in the far north – "mugging", maybe. The programme was a stinker.

On August 23 the Paris Opera Ballet's staging of Nureyev's *Romeo and Juliet* is on view, in a live recording from the Bastille Opera House. It is a clever production, over-stuffed with dance and ideas, redeemed by superb performance: Monique Loudières is Juliet, lovely in style, piercing in feeling; the tremendous Manuel Legris is Romeo, coursing like an Olympic hero over the myriad technical hurdles which Nureyev provided (initially for himself). Legris, a prince among dancers, is wonderful. The staging is clearly seen in Alexandre Tarta's direction.



In the spirit of parody: Neal Davies, Susan Gritton, Jean-Paul Fouchécourt as Platée and François le Roux as Jupiter in Mark Morris's spectacular new production of 'Platée', Rameau's operatic spoof on baroque musical manners

Tristram Kenton

Brecon Jazz Festival/Garry Booth

Classics get a revamp

Even the beer monsters who lie around Brecon's streets in tattooed heaps have become part of the jazz festival's furniture, along with its parade bands, the man on the 20ft-high unicycle and sheep muck. From its beginnings in 1984 as a local affair, Brecon Jazz has grown into a major international event without losing any of its rural conviviality.

If the programming errs on the swinging side of mainstream, it is far from complacent. Though Brecon largely ignores the music's avant-garde elements (Brits Evan Parker and Django Bates were the sole representatives of the lunatic fringe) its 90-plus shows celebrate the very best of the tradition.

This year's scoop was the Carnegie Hall Jazz Band. Its musical director, trumpeter Jon Paddis's brief for the CHJB is to keep the jazz repertory alive and kicking – and not preserved. This he achieves by giving classic tunes to great American arrangers like Frank Foster or Jim McNeely, who boldly re-score them for the supersonic 16-piece piloted by Faddis. The power and precision of the sound is awesome. Cole Porter's softly seductive "You'd Be So Nice To Come Home To" is transformed into a sparking roller-coaster for brass; in medleys of lesser known Ellingtonia, soloists take turns to soar on the thermals while Faddis's stratospheric interjections push the band to greater heights. The show on Sunday climaxed with an exhilarating, old fashioned cutting contest between hornsmsn aboard a medley of Ellington train tunes, *Duke Takes A Train*.

Canadian singer/pianist Diana Krall, who sold out both her shows, is essentially retro in style – she leads a swing trio – yet she too is contemporised by fresh arrangements. Russell Malone's muscular, ringing guitar accompaniment pulls the focus on tunes like "This Can't Be Love" but Krall's urbane charm and smouldering mid-register vocals are what sell. Like Nat Cole, her role model, she is rooted in classic jazz piano but has been drawn ineluctably to the modern mainstream on account of The Voice. In the dark sultry heat of Brecon's Brycheiniog theatre, we were like so much moist putty in her hands.

Young trumpeter Nicholas Payton's fiery music is neatly encapsulated as *gumbo nouveau* in the title of his latest release. Raised in the Big Easy, Payton plays with his horn turned to the east coast and hard bop. The result is a boiling stew of Lee Morgan-like bravado with traces of Satchmo's slow drag. Thrilling tenorist Timothy Warfield, a ringer for Lester Young, shared the honours with Payton; the elegant and spacious piano chording of young Anthony Wonsey was cut short when he retired with a pre-Brecon leg injury. In his absence, Payton put aside the horn and 'comped to Warfield's slow-burning solo feature in "Oleo".

But the atmosphere at Brecon encourages great musicians to wing it like that; as Jon Faddis observed to a packed market hall, with no hint of irony, "It's hot here isn't it?"

The Edinburgh Festival/Andrew Clark

When Swampy met Jupiter

Think of pantomime and Python; of mythology and the Muppets, irreverence and inebriation. Imagine a dancing donkey, two frolicking frogs and three Graces crashing into each other. Wrap them in cartoon costumes, and hand the central role to a singing swamp-nymph, with a big tum and even bigger bum, who has the hots for a god. Then you'll have some idea of what Mark Morris has done to *Platée*.

Morris has conquered Edinburgh yet again. His new production of Rameau's *ballet bouffant* is witty, inventive and inexhaustibly musical. Its smile may be unvarying, and the singing takes a back seat – but that is in the nature of the piece. After Monday's first night at the Festival Theatre, we could at least breathe a sigh of relief that Morris had not succumbed to the farcing and flouncing that so often passes as baroque comedy. What he has done is to enter into the subtle spirit of parody which Rameau himself relished in addressing the conventions of his time.

Just what the Spanish princess Maria Teresa thought of *Platée* when it was first presented at Versailles in 1745 in honour of her marriage to the Dauphin is anyone's guess. Like Platée, she was apparently no pretty picture, but at least she had the accident of birth on her side. Platée is a product of the marsh, as ludicrous as she is grotesque, who nonetheless believes her charms are sufficient to elevate her to higher company. And so she becomes a pawn in Jupiter's attempt to cure his wife Juno of jealousy. He woos Platée with a lengthy *divertissement*, and is about to pronounce the marriage vow when Juno arrives, bent on uncovering her rival. When she whips off Platée's veil, the entire company collapses in laughter, and poor Platée is sent back to the swamp.

Here is an operatic panto unparalleled in its day and underrated ever since. The score is one long spoof on 18th century musical manners, with exaggerated trills, misaccentuations, quirkily descriptive frog sounds and numerous other examples of dubious taste. Platée, written for high tenor, may look ridiculous, but she has some seriously challenging music to sing. And as Morris realises, Rameau has left acres of musical room for dance.

In the Prologue, which Adrianne Lobel sets in a story-book bar, Morris sends up everything from the hornpipe to the Charleston, as a gaggle of *outré* mortals drown their sorrows and dream up a show. Some of it is more *variété* than *comédie*, but Morris never lets the momentum flag. Decorated with little more than a photographic backdrop of wooded marshland, each of the three acts is blissfully free of clutter, and the Mark Morris Dance Group sets to work with a vengeance. Aided by fashion designer Isaac Mizrahi, whose costumes are a riot, Morris lets the fidgets, flights and foibles of the animal world merge into the art of movement. Best of all is the *divertissement*, where even the babes-in-nappies and nylon-bearded philosophers give bad taste a good name.

Unfortunately, in a show dominated by dance and dressing-up, the operatic side of the coin is concealed. Morris has nothing to say to his singers, and the chorus is shunted off to the pit – which, judging by the performance of the Orchestra of the Royal Opera House under Nicholas McGegan, has swamp-like qualities of its own. The sound is thick, ill-coordinated and about as inauthentic as you can get.

There is compensation in an attractive cast. With flipper feet and slimy green skin, Jean-Paul Fouchécourt's Platée is charmingly believable, and makes deceptively light work of the vocal ornaments. Nicole Tibbels sparkles as La Folie, while François Le Roux and Diana Montague are the ermine-coated gods. Mark Padmore doubles effectively as Thespis and Mercury, but there is scant sign of sarcasm in Philip Salmon's Momus.

The production moves to the Barbican on September 22, to Berkeley, California, next June and the Brooklyn Academy of Music in 1999. It is a spectacle which defies comparison with anything else on the operatic stage.

Theatre

Love turns nasty

Will she, won't she? Will dumpy 39-year-old milliner, Adelaide Pinchin, be the woman to save dapper confidence-trickster George Love from a life of petty crime, and put his tall stories to profitable use as a hat salesman?

That, at the interval, seems to be the only mystery in Karoline Leach's first play, *The Mysterious Mr Love*, which was premiered in the West End at the Comedy Theatre. With two old(ish) television favourites in Susan Penhaligon and Paul Nicholas testing each other out for size, and with a quaint 1912 petit bourgeois setting, this is just the kind of old-fashioned two hander to pleasantly sedate the holidaying theatre-goer.

But then, as we cruise to a conclusion, an entirely new play threatens to choke the unwary over their chocolates. Instead of a romantic ending, or a tale of lost love, Leach floats before our eyes a much more sombre plot – will he, won't he? Will Mr Love, suddenly unveiled as George Joseph Smith, the "brides in the bath" murderer, add Adelaide to his list of victims?

Only Karoline Leach knows whether she set out to write a romance or a thriller. It hardly matters. Nicholas and Penhaligon are strong enough players to make their twisting relationship the centre of the action. Nicholas retains enough seedy charm to make his conquest of susceptible women credible; there is also a touch of sadness about him which hints at possible reform.

Penhaligon sometimes over-does the acting, but the shrewd glances with which she punctures Love's stories of life in the diplomatic, and her growing awareness that she might have been married for herself, even for her body, rather than for her £50 inheritance, is neatly done. The power play see-saws between them.

Leach is better at the period detail than at consistency of character, and director Bob Tomson with designer Paul Farnsworth create, with simple props, the sparse gentility of the age, with the crushing formality between the sexes, and the meagre joys of a Weston-super-Mare honeymoon.

The "surprise" ending is poorly handled – downstage and largely invisible, and only Leach knows why she made no use of Love/Smith's most dramatic gift to notoriety – playing "Nearer my God, to thee" on the harmonium while his brides chilled beneath the bathwater. But the dialogue crackles fitfully; the actors have presence; the plot rarely creaks; and for those of a traditional disposition this will be ideal matinée entertainment.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

■ EDINBURGH

CONCERTS

Edinburgh International Festival
Tel: 44-131-473 2000
Bach Organ Works: organist Peter Hurford plays a series of 15 concerts. The performances are Tuesdays to Saturdays at 5.45.pm. On Thursdays he is joined by singers of the Dunedin Consort; at Greyfriars Kirk; to Aug 30

DANCE

● Fish: by the Bangarra Dance Theatre. UK debut for the Australian company and world premiere of a work which tells contemporary stories of Australia's indigenous population drawing on ancient myths and sacred dreamings; at the King's Theatre; Aug 13, 14
● Tharp!: new works by Twyla Tharp: Sweet Fields, danced to Shaker hymns and other American choral music, "66", and Heroes, with music by Philip Glass; at the Edinburgh Playhouse; Aug 13

OPERA

● Platée: by Jean-Philippe Rameau: Directed and choreographed by Mark Morris, this production - sung in French, with English supertitles - stars tenor Jean-Paul Fouchécourt in the title role, with Diana Montague and François le Roux as Junon and Jupiter. With the Mark Morris Dance Group, Royal Opera Chorus and Orchestra of the Royal Opera House. Conducted by Nicholas McGegan; at the Edinburgh Festival Theatre; Aug 13, 14

THEATRE

Measure for Measure: Director Stéphane Braunschweig returns to Edinburgh with that most ambiguous of Shakespeare's plays. Unlike The Winter's Tale, which was Braunschweig's French language contribution to the 1994 Festival, this production, staged by the Nottingham Playhouse, is in English; at the Royal Lyceum Theatre; to Aug 26

■ LONDON

CONCERTS

BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
BBC Symphony Orchestra: conducted by Andrew Davis in works by George Benjamin, Bartók and Berlioz. With violin soloist Viktoria Mullova; Aug 13

■ LUCERNE

CONCERTS

International Festival of Music
Tel: 41-41-210 3080.
Gustav Mahler Jugendorchester: conducted by Pierre Boulez in works by Ravel, Bartók, Boulez and Stravinsky; at the von Moos-Stahl-Halle; Aug 18

■ PESARO

Rossini Opera Festival
Tel: 39-721-33184

CONCERTS

Coro da Camera di Praga: conducted by Romano Gandolfi in works by Schubert and Brahms. With pianist Raffaele Cortesi; at the Auditorium Pedrotti; Aug 14

OPERA

Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as *Moses in Egypt* in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 13, 17

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501

OPERA

● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 14, 17
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 13, 16, 18
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 13
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings tha title rola. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 15

THEATRE

Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 13, 14, 15

■ SANTA FE

OPERA

Santa Fe Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 14
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Aug 15
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 16
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Aug 13

■ SCHLESWIG-HOLSTEIN

CONCERTS

Music Festival
Tel: 49-431-567080
● Alfred Brendel: performs works by Busoni, Liszt, Schumann and Haydn; at the Deutsches Haus, Flensburg; Aug 13
● Festival Orchestra: conducted by Leonard Slatkin in works by Bernstein, Schumann and Berlioz; at the Musik- und Kongresshalle, Lübeck on Aug 15 and at the HDW-Werft, Kiel and Aug 16
● Tivoli Symphonic Orchestra Copenhagen: conducted by Heinrich Schiff in works by Nielsen, Brahms and Stravinsky. With violin soloist Hanna Weinmeister and cello soloist Bruno Weinmeister; at the Reithalle, Wotersen; Aug 14

■ TANGLEWOOD

CONCERTS

Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by Kent Nagano in works by Debussy, Tchaikovsky and Stravinsky. With violin soloist Cha-Liang Lin; the Shed; Aug 15
● Boston Symphony Orchestra: conducted by Hans Graf in works by Bach, Handel and Vivaldi. With mezzo-soprano Lorraine Hunt; the Shed; Aug 16
● Boston Symphony Orchestra: conducted by Kent Nagano in works by Mendelssohn, Beethoven and Ravel. With pianist Emmanuel Ax; the Shed; Aug 17

■ VERONA

OPERA

Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 1, 10 & 15 Maria Guleghina sings the title role
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Iancu. Conducted by John Neschling; Aug 13

■ WASHINGTON

DANCE

Wolf Trap Tel: 1-703-218 6500
Tharp!: programme of new works presented by Twyla Tharp's new dance troupe; Aug 18

OPERA

Wolf Trap Tel: 1-703-218 6500
The Marriage of Figaro: the Wolf Trap Opera Company performs Mozart's opera; in Italian, with English super-titles; Aug 14, 16

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Edward Mortimer

Ahead of the pack

By embracing economic reform, Estonia has became the first ex-Soviet republic to qualify for EU membership

"Baltic is not a country."

It was Mr Vytautas Landsbergis, speaker of the Lithuanian parliament, who said that. None of the three Baltic states likes being lumped together. But so far it is Estonia, the smallest and northernmost of the three, that bas done beat by demanding to be judged on its own merits.

In the struggle to regain their independence from the Soviet Union, between 1987 and 1991, the three stood side by side. But Estonia struck out fastest on the road of economic reform, abolishing all import duties and pegging the kroon to the D-Mark, under an independent currency board.

Last month it got its reward, being the only one of the three included in the group of countries with which the European Union's Commission recommended membership talks to start next year.

While others may fret at the slow pace of EU enlargement, Estonians are, to coin a phrase, over the moon. "It's a fantastic achievement," says Mr Enn Soosaar, a leading political commentator, "when yon remember that only six years ago we were a Soviet Socialist Republic."

President Lennart Meri is similarly jubilant. For him, the Commission's verdict is a just recognition of Estonia's economic performance. Industrial output rose at an annual rate of 12.7 per cent in the first half of the year, and Mr Meri expects overall economic growth in 1997 of 6 or 7 per cent.

The president insists that Estonia's inclusion in the first wave of ex-communist EU members "cannot have any negative effect on Baltic solidarity". He pledges that, "having a common past with Latvia and Lithuania, Estonia will do its very best to present their case in the EU, and if we succeed in being first it will of course be our mission to ensure that they join as fast as possible".

Latvians and Lithuanians may not set great store by this promise. But Mr Meri insists that Estonia's inclusion is good news for them too, as it is "a very clear indication that the EU is going to enlarge on the eastern shore of the Baltic".

What the Baltic states had most to fear was that the EU, like Nato, would leave all three out of its first wave of new members, implicitly relegating them, as earlier in the century, to the status of *cordon sanitaire* between the west and Russia. If the December Luxembourg summit endorses the Commission's advice, they will have escaped that fate.

Even Nato's decision to invite only Poland, Hungary and the Czech Republic to join, has not been taken by Estonia as a snub. After a flutter of paranoia about a "new Yalta" when the presidents of the US and Russia met in Helsinki in March, Estonian leaders were relieved by the declaratioo Nato adopted at its Madrid summit last month.

Estonia's fear had been that the first wave of Nato expansion would also be the last. So it was favourably surprised by the naming of 1999 as the date for the next review, with an explicit reference to the Baltic states as "aspiring members".

> Estonia, whose language is related to Finnish while its coasts face Finland and Sweden, has played the Nordic card with greatest conviction

The Baltic peoples have succeeded in changing the way western policymakers think about them. They are no longer seen as eastern, but as central or even north European countries.

Estonia, whose language is related to Finnish while its coasts face north to Finland and west to Sweden, has played the Nordic card with greatest conviction, and this may be the secret of its success. Finns, Swedes and Danes by and large accept Estonians as cool and rational fellow northerners, while regarding Lithuanians and Latvians as too prone to romantic, Balkan-style nationalism.

Lithuania, however, is in better odour with Moscow, because it has accorded full citizenship to all its Russian-speaking residents. Estonians and Latvians have not felt able to be so generous: they are too close to being outnumbered by Russians in their own countries. They have given automatic citizenship only to those Russians whose families were already thera before the Soviet occupation in 1940.

Estonia has attracted the fiercest criticism from Moscow, possibly because it was the first to introduce a citizenship law. Under this, "immigrants" must pass an exam in Estonian language and constitutional history to qualify for citizenship or even for many jobs, right down to those of waiter.

Such restrictions are especially resented in Narva, the border town with Russia, in which ethnic Estonians constitute only 3.5 per cent of the population. Nearly three-quarters of Narva's inhabitants are non-citizens, who can vote, but may not be candidates, in local elections. Mr Raivo Murd, Narva's mayor – himself an ethnic Estonian – finds it hard to persuade ethnic Russians to jump through the hoops required for Estonian citizenship, and even harder to persuade other Estonians to move into the district.

Revolutions happen quickly, but it takes a generation or two to for people to adjust, as I found when I met an ethnic Russian mother and daughter in the park beside Narva castle which looks across tha river to Russia.

Mrs Yekaterina Fyodorova, who used to work on the other side, says goods are cheaper there – but complains that the Russian anthorities no longer give permits to cross "unless yon have relations over there".

Her daughter Irina is having a hard time, too. Her husband lost his job six months ago. She would like to become an Estonian citizen, but cannot afford the language course. Also, she knows no Estonians in Narva with whom to practise. She agrees that children should be taught Estonian; "but now they're forcing pensioners to learn".

So Irina's daughter, Lena, now asleep in her pram, will grow up speaking Estonian? Yes. It should be easy for her because her other grandmother is Estonian.

Hold on a minute. Doesn't that mean Irina's husband is half-Estonian? Yes he is, but be never learned tha language. "You see, his paternal grandmothar wouldn't bave it. She wanted only Russian spoken in her house."

Of course, in the days of tba great Soviet Union, Estonian was an insignificant minority language, which might bold you back in your career. Now, suddenly, it's the language you need to know – the passport to a brighter future as part of western Europe.

Lena may well grow up feeling glad to be an Estonian. Meanwhile, her mother and grandmotber must console themselves with the thought that, from what they bear, life in Russia is even harder.

LETTERS TO THE EDITOR

Number One Southwark Bridge, [illegible]

We are keen to encourage letters from readers around the world. Letters may be faxed [illegible] to 'fine'), email: letters.editor@ft.com Published letters are also available [illegible] Translation may be available for letters written in the [illegible]

Oil exploration that is 'intellectually risible'

From Mr Chris Rose.

Sir, You accuse ("Protesters in deep water", August 12) the Greenpeace campaign against new oil development of being "intellectually risible". Let's examine the evidence.

You say that there is confusion about the extent and cause of climatic change, though "global warming *may* prove a serious danger" (your italics). You are wrong. From our own prime minister to the president of the US, there is consensus that global warming is, in Mr Clinton's words, "no longer a theory but now a fact", and in this they agree with more than 2,000 scientists on the Intergovernmental Panel on Climate Change (IPCC). The consequences of climatic change may include widespread damage to people, property and ecosystems due to chaotic changes in weather patterns and sea level rise. A serious danger indeed.

John Browne, chief executive of British Petroleum, says of climate change that "it seems to us it's time we should do something ... Just because there are uncertainties it doesn't mean you just stand still and do nothing". Unfortunately, his company's response to this challenge is to open up a new large oilfield in the Atlantic Frontier, just when the world is realising that we cannot afford, ecologically, to burn the oil.

Relatively simple calculations based on the work of the IPCC show that the world's atmosphere cannot sustain tha use of more than a small percentage (perhaps a quarter) of known fossil fuel reserves. To continue exploring for more oil in these circumstances is more appropriately described as "intellectually risible". What is needed is a globally negotiated fossil fuel phase-out over the next 30 to 40 years, and its replacement with cleaner, sustainable renewable energy.

Despite your dire predictions as to the potential of solar and other renewable forms of energy, BP itself expects solar to be "competitive in supplying peak electricity demand within the next 10 years". Rather than continue to invest millions in BP's Foinaven field to produce oil the world cannot afford to use, BP would be better off investing these sums to build solar factories in Britain.

Chris Rose,
acting chief executive,
Greenpeace UK,
Canonbury Villas,
London N1 2PN
UK

The perils of the in-flight stuck loo door

From Dr M.B. Carson.

Sir, The article by Farrol Kahn on aircraft lavatories ("Getting to the seat of the problem", August 9/10) struck a chord with me as I have always felt that they presented a safety problem.

I have had three patients die in lavatories and, as the doors frequently open inwards, getting in to try to render assistance can be quite difficult, to say nothing of getting the victim out.

A few years ago on a flight to Australia the aircraft landed at Delhi to refuel ao I decided to pass the time by going to the loo. To my surprise, when I tried to open the door to leave, it would not move.

At this point another passenger tried to get in so I explained that the door would not open. Several strong men tried to help by putting their weight against the door to force it inwards. This really frightened me as I had visions of being crushed to death in an aircraft loo and could imagine the headlines.

Somebody must have called the flight crew – we were still on the ground – and after about 10 or 15 minutes they managed to get the door open. To my surprise, no attempt was made to indicate that the lavatory was out of order and I quite expected that before we got to Australia somebody else would be locked in. I was astonished that there were no quick-release hinges on the door, and I think that aircraft designers might give some thought to this.

M.B. Carson,
Long Close,
8 Ramley Road,
Lymington SO41 8GQ, UK

In space, science has priority

From Mr A. Hansson.

Sir, Your leader "Heroics in space" (August 7) is beginning to ask the right questions about space exploration. The Nasa space station is a left-over from before 1991 and the end of the USSR; it is the old "Nasa-socialism", as president Reagan called it, before Mir forced him to announce a US space station.

However, any large space station will remain expensive without a more commercially oriented space transport infrastructure. Two developments are needed for this to happen: first, governments should concentrate on space science and on certification and not on operating a service; second, space scientists should accept that access to space is too important to be left to elite academics or civil servants.

A. Hansson,
Reaction Engines Ltd and
Aerospace Research Group,
University of West Of
England,
Bristol BS16 1QY, UK

Governance report not a problem issue

From Lord Simon of Highbury.

Sir, Contrary to the suggestion in the article "Governance report under attack" (August 11), I can assure you that there has been no disagreement between myself and my fellow minister, Mr Ian McCartney, on this issue.

Mrs Margaret Beckett, the secretary of state for trade and industry, has asked me to take the lead on corporate governance issues, and I will be working closely with Mr McCartney, who has responsibility for company law issues at the Department of Trade and Industry. In fact, we have both already met Sir Ronnie Hampel to hear about his committee's draft report.

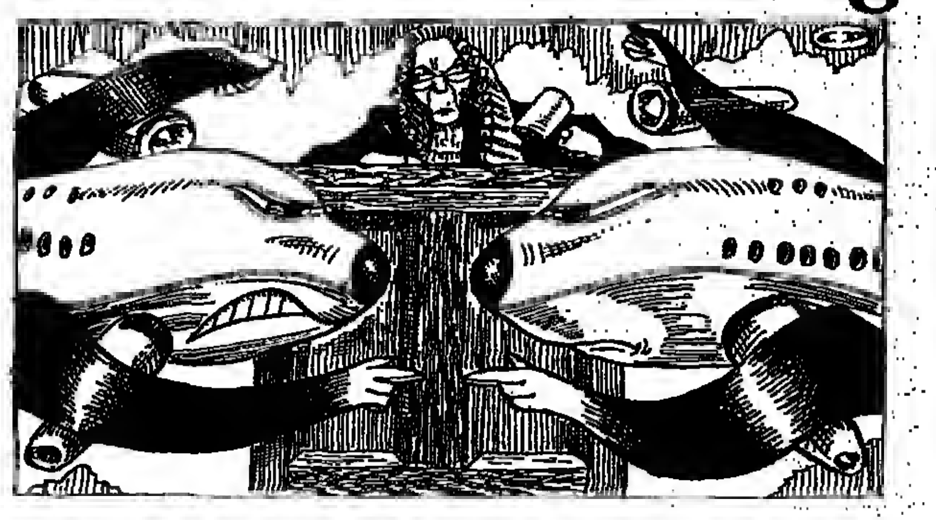
In its initial response last week, the government made it clear that it would examine the draft report carefully and that it hoped it would stimulate a lively debate on governance. We shall give our own fuller response in dne course, taking account of the wider debate, which we are tracking with great interest.

Simon of Highbury,
minister for trade and
competitiveness in Europe,
Department of Trade and
Industry,
1 Victoria Street,
London SW1H 9ET, UK

Personal View • Daniel Tarullo

Wrong lesson from Boeing

A world competition court would reinforce differences, not remove them



Should there be some sort of international competition authority? Debate over this question has been reignited by the European Commission's controversial review of the merger between Boeing and McDonnell Douglas. Some people argue that rules should be established in the World Trade Organisation governing mergers and other potentially anti-competitive business activities. An international panel, they suggest, should review the actions of national competition authorities for conformity with such rules.

To adopt this approach would be to draw the wrong lesson from the Boeing case and to embark on an ill-advised exercise.

There are important competition concerns in the world economy. As mora industries operate in truly global markets, the risk of anti-competitive conduct with global consequences increases. National competition authorities often cannot prova or restrain such conduct without assistance from their counterparts around the world. In addition, private anti-competitive practices can – if unchecked – deny to foreign companies the market access won through international trade negotiations. These are the problems to which the US, the European Union and other economic partners should devote their energies.

It is important to understand, though, that the Boeing case is an exception rather than the rule to the general run of world competition issues. The increasing returns to scale, the magnitude of R&D costs, and the long lead time for introducing new products all make the civil aircraft industry highly unusual, if not unique. For these and other reasons, Boeing produces aircraft only in the US and Airbus only in Europe – a contrast to other global industries, in which companies have production facilities in most big markets.

The long history of trade disputes between the US and the EU over the civil aircraft industry placed this case in a particularly contentious context. In the US, for example, there is a widespread belief that the large subsidies paid to Airbus over the years crippled McDonnell Douglas as a viable civil aircraft manufacturer.

The Boeing case is unrepresentative in another way. It involved highly publicised differences between US and European competition authorities. Most interaction between the two on competition matters is unpublicised and mutually supportive.

Thus the review of the Boeing-McDonnell Douglas merger was more a chapter in the ongoing Boeing-Airbus atory than a new story of antitrust conflict. Apart from the unrepresentativeness of the Boeing matter, however, a multilateral antitrust code is a bad idea.

Antitrust law needs to be grounded in detailed analysis, and must be capable of substantial change as the economics of industrial organisation become better understood. It is noteworthy that both US antitrust statutes and Articles 85 and 86 of the Treaty of Rome are worded very generally, so as to permit the incorporation of new learning and applications. Imagine if a detailed international antitrust code had been established in the 1970s, based on then-current wisdom on mergers and other business practices. Within a short time the code would have been an anachronism.

On the other hand, a generally worded code that relied on interpretation by international panels of arbiters would be unacceptable all round. Who would sit in judgment on tbe complex decisions of national competition anthorities, second-guessing their conclusions on tha likely effects of a mergar or joint venture? How would legitimate doctrinal differences – such as the role of EU competition law in promoting the single market – be accommodated? Would not the protracted review of national decisions on mergers typical of the WTO process scuttle many deals just through delay?

So a world competition court is not a good idea. There are, however, three things that can be done.

● Antitrust authorities around the world should redonble their co-operative efforts in enforcement, particularly in concentrated global industries. This means sharing information and analyses within the confines of confidentiality restrictions. It means undertaking investigations at the bebest of counterpart authorities in other policies. It means working together to ensure that competition authorities are insulated from political influences to as great a degree as possible. These efforts should help independent competition authorities work together to protect consumers from anti-competitive conduct thet crosses national borders.

● Antitrust authorities should promote the convergence of competition law and procedure without legally binding international rules. This will antail extended discussions of business practices, to see if common understandings of competitive impacts are possible. The results of such exercises could include undertakings by all antitrust authorities to prohibit obviously anti-competitive practices such as price-fixing or territorial allocation. There could also be efforts to co-ordinate merger nntification and review procedures to clear business deals more expeditiously.

● The existing WTO working group should examine whether there are private anti-competitive practices that are likely to impede the access of foreign companies to national markets. If so, the working group could consider ways for antitrust or trade officials to remedy and prevent these practices.

An increasing convergence of antitrust approaches may some day make a set of international antitrust rules useful. Today, though, an effort in this direction is more likely to reinforce differences, rather than remove them. Instead of constructing a system that encourages nations to challenge the competition policy decisions of others, we should be promoting a system that encourages antitrust authorities to work together to protect the interests of consumers and to accommodate the interests of nations.

The author is President Bill Clinton's assistant for international economic policy

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Wednesday August 13 1997

In praise of speculation

Mr Larry Summers, the US deputy treasury secretary, is right to emphasise the importance of the liberalisation of financial services for economic development. Whether countries in south-east Asia which are struggling to overcome full-blown currency and banking crises will prove receptive to his argument is another matter. Yet they would be ill-advised to ignore his call.

The problem, *pace* Malaysia'a Dr Mahathir Mohamad, is not one to be laid at the door of Mr George Soros, the hedge fund operator. It is rather that when countries are open to big capital inflows they can all too easily have too much of a good thing.

In the first instance, capital inflows provide a benaficial release from external financing constraints. The risk is that they do so at the cost of destabilising the economy if inflation then accelerates and the real exchange rate soars. The flow of funds through weak and poorly regulated financial systems can then exacerbate the strain. The outcome is a crisis lika Thailand's, which may result in regional contagion.

Preventing such overheating is difficult, not least because it is usually hard to identify the causes of disruptive capital inflows. It helps if governments are pursuing balanced macroeconomic policies. In practice they often find themselves tackling the consequences of unstable flows from a platform of over-expansionary fiscal policy and excessively tight money.

The best long-run remedy for the disease is usually to re-balance the policy mix by increasing public savings via a reduction in the share of public consumption in GDP. Blaming speculators is a useful ploy for domestic political consumption but dangerous if used to justify an illiberal stance on financial sector development. As Mr Summers points out, all the evidence suggests that financial liberalisation and growth are mutually reinforcing.

The irony, which appears lost on Dr Mahathir, is that the devaluation wrought by the speculators frequently proves to be a beneficial turning point. This was true of Chile in the 1980s, Britain in 1992 and Mexico in mid-decade. More often than not the speculators are anyway domestic investors who have lost confidence in government policy. They coma back when the policy is put on a sounder footing. Useful market signals result from their exits and their entrances.

Recent experience in the US, Japan and the UK shows that financial deregulation carries risks in developed as well as developing countries. An important message in the latest crisis is thus that moves towards a global agreement on financial services liberalisation should be accompanied by more rigorous prudential regulation and oversight across the world.

Saving Thailand

This week's economic rescue package for Thailand is already being portrayed as an unprecedented advance in Asian regional collaboration. Japan hosted the meeting at which it was assembled and put up the largest share of the money. Other Asian countries, from Indonesia to South Korea and possibly even China, are also chipping in.

Their willingness to do so is a mark of Asia's growing economic integration. A heightened sense of interdependence should be good for security, too, in an often troubled part of the world.

Yet it would be rash to overstate the significance of the deal. The Thai rescue is still little more than an ad hoc response to a crisis. It is far from clear whether it will provide a useful precedent.

Japan, which has long shied away from regional leadership, had little choice but to play a pivotal role. It has very large investments in Thailand and its banks are heavily exposed there. Other Asian participants hope to prevent a cycle of competitive devaluations with rising interest rates across the whole region.

But the driving force still appears to hava been the International Monetary Fund, backed by private pressure from the US which has a strong security interest in regional economic stability. It would help if Asia itself could learn from the experience more about how to initiate such regional collaboration on its own.

That is still difficult when painful memories of the second world war inhibit Japan from constructive leadership. A community-minded Asia also needs to be less diffident about the internal affairs of others. Neighbours cannot be helped without conditions.

It is not enough for Asian governments to hide behind the IMF as policeman. When countries are putting billions of dollars at risk, they must retain a right to impose conditions and they must work with the IMF to ensure that they are met.

There is a disturbing lack of clarity about what Thailand's $16bn rescue fund will actually be used for. Already businessmen in Bangkok are scrambling for their share. Without more transparency, the money could easily be frittered away to corrupt and vested interests.

There is a precedent: the US Congress demanded direct reports on the Mexican rescue package of 1995. In this case, Japan's politicians – themselves not free of the taint of corruption – are less well placed to follow suit. But unless the money is properly spent, Thailand will still be in trouble when the programma expires, and a promising experiment in collaboration would have failed.

Language law

For a country which prides itself on method, it is quite extraordinary how often Germany gets itself into a muddle. Its latest mix-up is a model of its kind. It looks like leaving the entire land in a state of perfect confusion over the one area where clarity is essential: language.

Of course, the German tongue has never been a vehicle for great precision, overburdened as it is with compound nouns and grammatical red tape, while leaving half its verbs languishing at the end of interminable sentences. So an attempt to simplify the whole proceeding, by rewriting the rules of spelling to impose a little logic and consistency, would seem to be an admirable exercise. It has not proved so.

More than 10 years of deliberation by experts and officials of the highest qualification – linguists, lexicographers, pedagogues and philologists – have produced a reform at once exhaustive and irrelevant. For a start, the experts have rednced the number of rules governing the use of commas from a magnificent 58 to a mere 9. They have ordared a change of spelling of 185 basic words better to reflect their etymological roots. Thay have decread that tha spelling of foreign words should be "Germanified". And more of the same sort of worthy wordplay.

It has all been approved at the highest leval, by the culture ministers of Germany, Austria, Switzerland and Liechtenstein, not to mention representatives of German-speaking minorities scattered across the European continent. School text-books hava been reprinted; dictionaries redrafted. But nobody consulted the consumer.

It may work in France, where the Académie Française can lay down the linguistic law with gay abandon. In Germany this ponderous attempt to tinker with the tongue by committee has fallen foul of the law itself. Two courts have ruled it out of order. Another, in Schleswig-Holstein, is dne to pronounce its verdict today. The chances are that the entire exercise will be referred to the mighty Constitutional Court in Karlsruhe for an ultimate decision: can the language be changed by decree or does it need parliamentary consent?

The tronble is, they're probably all wrong. Language is a living thing, and changes only by degree; by usage, not by fiat. That is perhaps why, to choose an exampla at random, the English tongue has proved so infinitely adaptable. The consequenca is, of course, that English-speaking children have a hopeless grasp of grammar. Somehow they still manage to communicate, even if they cannot spell, or spot a gerund.

Mobile phones grow up

Greg McIvor explains the telephone-number growth rate of the cellular phone business

Ten years ago, they were little more than yuppie accessories. This year, more mobile telephones will be sold worldwide than personal computers. By about 2003, there will be more new mobile phones than new fixed telephone lines. And increasingly, mobile phones are being used not only for chat, but for communicating data.

The rise of the mobile phone is one of the growth stories of the past decade. Why has it happened? Is it likely to continue? And, if it does, how might it affect the telecoms business?

According to Dataquest, a US market-research company, a total of 94m new mobile phones will be sold this year, compared with 84m new PCs. The market for handsets, today worth some $25bn, has expanded at a staggering 50 per cent each year over the past 10 years.

In Scandinavia, almost one person in three has a mobile phone. Elsewhere in Europe, it is one person in 10 and in the US, one in six. "It is an incredible success story," says Mr Douglas Smith, the European telecoms analyst at Salomon Brothers in London. "Fiva years ago people thought penetration levels might some day reach 20 per cent in developed countries. But we are clearly past this point."

That is true in Scandinavia, and could come true elsewhere. Ericsson of Sweden, which is one of the big three mobile-phone makers, predicts that the number of mobile subscribers will rise from 137m at the end of last year to almost 200m by the end of this year and to 600m by 2001. (The number of new subscribers is lower than the number of new handsets because about 30 per cent of existing subscribers buy new mobile phones each year.)

If mobile phones can overcome a few technological and pricing problems, the increase could be even greater than Ericsson predicts. One of the few rules about the mobile-phone business is that its growth ontstrips expectations.

Some analysts think cellular subscriptions could surpass 700m by 2001 and the number of phones sold will be higher still.

New wireless subscriptions have yet to eclipse the number of new terrestrial lines. There were 716m subscriptions for new fixed lines in 1996, compared with 137m for mobiles. But mobile subscriptions are growing at 50 per cent a year while the number of fixed lines is expanding by 10 per cent. Mobiles could overtake fixed phones by 2003 or 2004.

In some developing countries, including China, cellular growth is already higher than "wire-based" growth. "In another decade the only reason to have your phone tethered to the wall will be because you need high-speed data communication," says Mr Richard Kramer, telecoms analyst at Goldman Sachs in London. "Voice communication will be mobile."

There are two main reasons for the growth. One is a fall in the prices both of handsets and usage charges. In Europe, mobile call costs hava fallen by 10-15 per cent annually in the past two to three years, compared with 5-8 per cent in fixed networks. in the US, the fall in mobile call costs has been estimated at 15-25 per cent in the past year, as new digital operators have entered the market. All the same, mobile calls still cost more than "ordinary" telephone calls, so consumers must pay a premium for portability.

The second reason is the advent of digital technology. This more versatile successor to older analogue systems has enabled mobile networks to expand capacity and improve line quality (though that is still often not as good as fixed telephone lines). According to Ericsson, 70 per cent of new mobile subscriptions are digital.

Digital technology has one crucial advantage over analogue: the ability to transmit and receive data. The latest phones bave moved beyond voice and into data communication, making possible a range of The applications unimaginable even a few years ago.

Finland's Nokia thinks that in future there will be so-called "smart phones" using broad-band frequencies to let users browse the internet or send electronic mail. Executives believe the potential range of uses is practically limitless, although they accept that a lot of data communications are likely to remain dominated by fixed-line telephony. For the foreseeable future, fixed links are likely to permit higher transmission speeds at lower cost. Their greater capacity means they can perform a number of tasks – video-conferencing, for example – now beyond mobile phones.

All the same, a senior Nokia official claims that "We have barely scratched the surface yet." Wireless applications, he declares, can range from "intelligent" vending machines which inform their owner when they need emptying, to mobile diabetes aids that allow doctors to monitor patients at long distance. Roadside sensors could telephone information about driving conditions ahead (from pollution to congestion) as you drive pass. Or mobile phones could be programmed with your shopping list; you then phone the supermarket and your groceries are ready when you arrive.

This brave new world is here. Nokia last year launched the world's first smart phone, the Nokia 9000 Communicator, with a mobile phone on one side and a tiny computer keyboard on the other. Mobile phones are becoming both computers and integrated multimedia products.

That raises intriguing questions about the future shape of the mobile telephone business as it converges with the computer industry. Eventually, it is possible that cellular producers could team up with computer firms. At the moment, however, the biggest cellular phone makers are doing very nicely on their own. Last week, Nokia announced that its half-year pre-tax profits had trebled from FM1.1bn ($220m) to FM3.3bn. Ericsson's pre-tax profits advanced from SKr4.2bn ($532m) to SKr6.1bn, a rise of 45 per cent.

Such rich pickings have attracted the interest of consumer electronics companies. A string of producers, including Philips, the Dutch group, and Panasonic and Hitachi of Japan, are queueing up to get into the business.

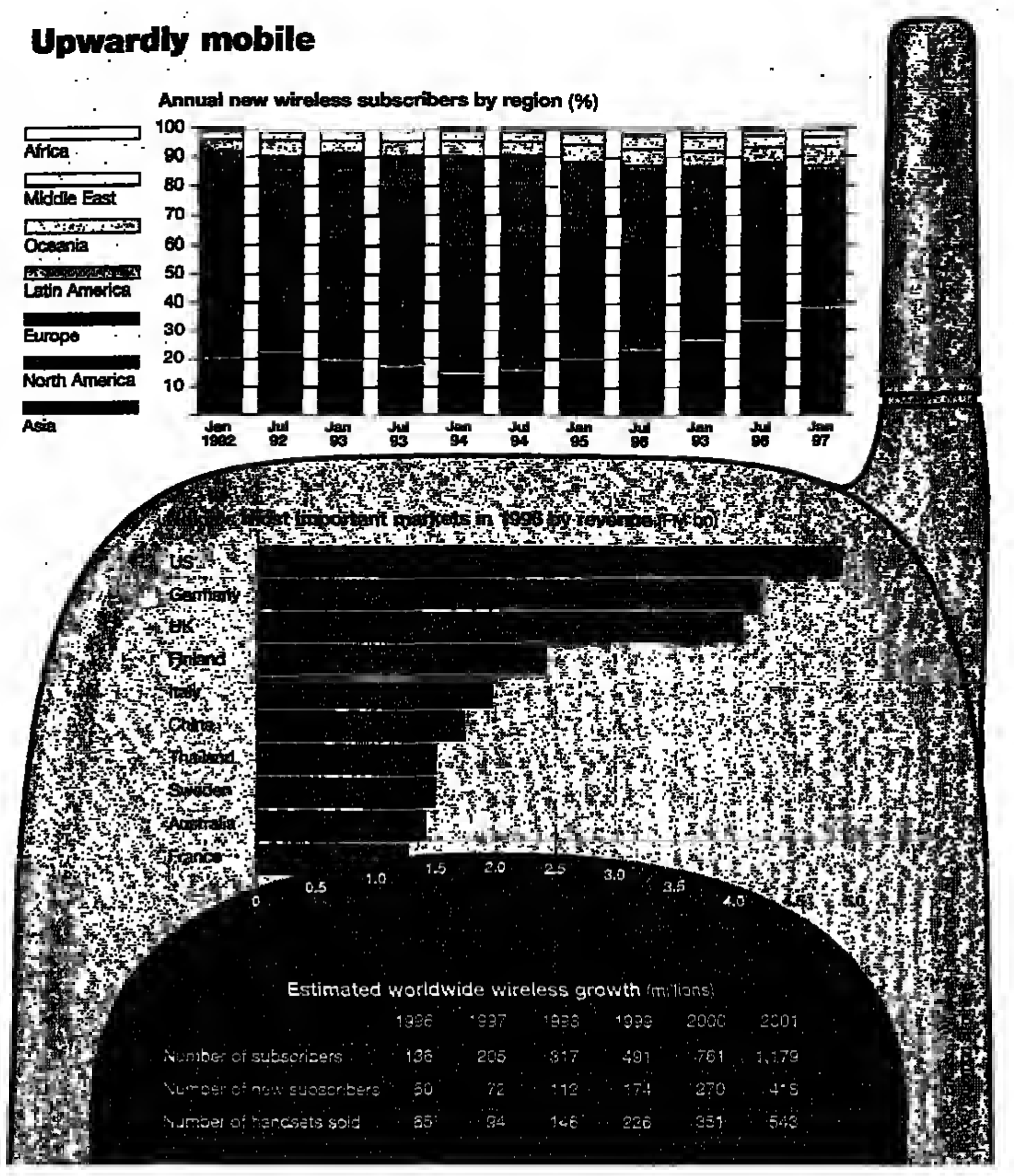
Ms Ellen de Vries, a spokeswoman for Philips, says the Dutch company has ploughed hundreds of millions of dollars into developing its own mobile phones. Philips claims to have taken 7.4 per cent of the European market since it began selling mobile phones in January 1996. "Opportunities in this market are boundless," she says. "There is a big piece of the pie still open."

It is unclear to what extent new competitors threaten the hegemony of Motorola, Nokia and Ericsson. While the new entrants may be strong in consumer electronics and marketing, the big three have far broader experience in telecoms. Philips recently sought to bridge this gap by launching a mobile-phones joint venture with Lucent, a telecoms-equipment company spun off from AT&T last year.

For investors the biggest unanswered question is how long the breakneck growth can continue. Salomon Brothers' Mr Smith estimates the market will become saturated in 2003, when half of the world's wealthiest billion people, and 20 per cent of the rest, will have mobiles. And even this prediction – which implies there will then be more than 1.2bn handsets – may prove overcautious.

"You will end up having one connection per person rather than one per family, so the potential is greater than for fixed telephony," says Mr Per Bengtsson, a senior Ericsson executive.

"I cannot see any limit to the growth," he adds. "Provided you can solve the problem of services at the right price, there is no problem with saturation."



Why Scandinavia?

Scandinavia leads the world in relatively few things. The mobile-phone business is one.

It has the highest concentration of mobile phones in the world (barring a few city centres). In Sweden, Finland, Norway and Denmark, 31 per cent of the population has a handset – almost treble the European average and nearly double that in the US.

And the region can also boast two of the world's three big cellular-phone prodncers. Nokia and Ericsson between them have more than 30 per cent of the world market, on a par with the market leader, Motorola of the US.

Why? Perhaps it is partly that Scandinavians like gadgets. They also have Europe's highest per capita rate of internet use.

But the real explanation is that the region adopted a common technological standard early, and opened up to competition. Cellular phone communication was invented in the US in the 1950s, but the Scandinavians were first to agree on a common operating standard for mobile networks.

An analogue standard known as NMT (Nordic Mobile Telephone) was launched in 1981. And the market was opened to competition from day one.

When the European Union in the early 1990a put its weight behind the creation of a new pan-European digital standard, called GSM, Nokia and Ericsson had a huge head start over competitors such as Siemens of Germany and Alcatel of France because NMT had given them the experience of working witb an international network.

Their competitive edge was sharpened even further by the early deregulation of Nordic telecoms markets, starting in the late 1980s. This forced Ericsson and Nokia to be competitive at home at a time when bigger markets such as Germany and France were protected against outside competition. Meanwhile, the small size of their domestic markets forced them to look abroad for business earlier than other suppliers.

Now, even Motorola – which kept faith with analogue technology for too long – is being outgunned on its home turf. Last year Ericsson and Nokia had 89 per cent of the US digital handset market. Motorola had 8 per cent.

GM

· OBSERVER ·

Surprise arrival

■ Shohei Nozawa seems as surprised as anyone else at his sudden elevation to the presidency of Yamaichi Securities. Asked about his strategy for the ailing group, he said: "Quite frankly, I have no clear idea yet."

Nozawa, 59, was almost unknown outside Japan's fourth-largest securities house until his appointment on Monday. Company insiders are now enthusing about having a boss with hands-on experience: unusually for such a post, he has a sales background.

His accelerated promotion came after 11 senior directors – including the president, chairman and all five vice-presidents – were shown the door after allegations of links between the company and corporate racketeers. Unkind souls have suggested that, following the mass exit, there weren't many other credible candidates entirely free from any taint of scandal.

Nozawa says he's been too husy recently worrying about practical things such as sales to give time to such trifles as overall business strategy. But he wants to change Yamaichi's business styla from its current "relaxed" condition to a more "active" approach. One atep along this road might be to draw up a business plan.

Vanity publishing

■ Alexander Korzhakov, the former presidential bodyguard who's promising to spill the beans about 11 years at Boris Yeltsin's side, looks and sounds like a Russian country bumpkin, seemingly more at home in a peasant smock than a suit.

But the suspicion grows that the simple Korzhakov may be playing a sophisticated joke on everyone else. One reviewer, who claims to have read a proof of the drink-and-tell memoirs, wonders whether Korzhakov is the author. He suggests that Alexander Korzhakov "is a pseudonym for some bright post-modernist writer who collected all the bawdy tales about the powers that he and created a parody in his memoirs".

The impression hardened yesterday as Korzhakov held a press conference to launch his memoirs – it turns out that the book hasn't actually been published yet. So was that the ultimate post-modernist joke?

Intelligence move

■ Few people, especially in the west, will be sorry to see Ali Fallahian depart as Iran's chief of foreign intelligence. He was the only high-ranking Iranian official named in April's Berlin court ruling that Tehran was behind the 1992 killings of Kurdish opposition figures in a Berlin cafe, a ruling which damaged relations between Iran and the European Union.

His successor is Qorbanali Dorri Najafabadi, a conservative cleric and parliamentary deputy. The appointment was a surprise, because Qorbanali is more attuned to numbers and balance sheets than intelligence matters. A member of the parliament's hudget committee, Qorbanali is "simply not the right man for the job", according to one Iranian analyst. "He is a very lenient and collected man, not very shrewd, and not a killer." Wonder how he'll shape up.

Ted's task

■ As chief of America's most robust political dynasty, Senator Ted Kennedy will have his work cut out clearing up the latest family squabble, which began with John F. Kennedy Jnr breaking the long-standing family tradition of not criticising relatives in public.

In the September issue of George, the political magazine which he founded and edits, Kennedy described his cousins Joseph and Michael – sons of the late Robert Kennedy – as "poster boys for bad behaviour" after allegations about their private lives. This has especially irked Joseph, a congressman, who is trying to be elected to the governorship of Massachusetts next year: he tartly suggested that his cousin's antics were mainly aimed at boosting magazine sales.

Now senior members of the family are making it clear they're not pleased with the rowdy youngsters, and will expect dirty linen to be washed in private in future. Just as it always was.

Tongue twister

■ Observer doesn't like to see languages die out, however vexing they were in long-ago classrooms. So it's good to hear that the world congress on Latin is going ahead in the unlikely-sounding venue of the central Finnish town of Jyvaeskylae.

Apparently the Finns love the tongue of the ancient Romans. Radio Finland has a weekly news bulletin in Latin, and you can buy Latin compact discs of rock-and-roll hits, Finnish tangos (yes, really) and Elvis Presley hits.

Visitors to Jyvaeskylae can use Latin tourist brochures to find recitals of Latin songs, or shop in response to Latin ads in local newspapers. Et cetera.

The Financial Times

100 years ago

Exchange At Drury Lane
It is rumoured that the Stock Exchange is rather flattered at the idea of seeing itself depicted "in its habit as it lives" in the new autumn drama at Drury Lane Theatre. Jobbers and brokers are naturally much interested in the notion that a series of portraits is to be presented on the stage so that some of the members of the Exchange may find their "counterfeit presentments" doing business on the boards of Drury Lane long after the legitimate drama at the other "House" is over for the day. All this strikes one as promising to be very nice indeed, but we wonder what the Stock Exchange Committee thinks of the proposed profanation of its cherished mysteries.

50 years ago

Film Duty Attacked
Mr Allen Dulles, of the legal firm of Sullivan and Cromwell, who has been acting as adviser to the Motion Picture Association on foreign affairs, is in Washington to-day to make a formal protest on behalf of the industry against the British tax on imported films. The top executives of the big film producing companies are studying ways of cutting costs now that $70,000,000 of their annual income will be cut by the loss of British business.

FINANCIAL TIMES
Wednesday August 13 1997

Chilean fighter deal tempts US back into Latin America

Sales pitch ends 20-year arms ban, writes Leslie Crawford

Military aircraft manufacturers in the US are preparing to make their first sales pitches in Latin America after an absence from the region of more than 20 years.

President Bill Clinton's decision at the beginning of August to lift a ban on high-technology arms sales to Latin America came just in time to allow Lockheed Martin and McDonnell Douglas to compete in an international bid to supply Chile's air force with a new fleet of 20 to 24 advanced fighter aircraft.

The contract could be worth $400m and would allow struggling US defence manufacturers to maintain production lines at a time of sharp cutbacks in US military spending.

"If Chile were to buy 24 [Lockheed] F-16s, that would be more fighter aircraft than the US Air Force intends to buy in the next three years," said Mr Joel Johnson of the US Aerospace Industry Association. He said US defence procurement had shrunk from $100bn in 1985, at the height of president Ronald Reagan's Star Wars programme, to $42bn last year, forcing the aerospace industry to fire 40 per cent of its 1.3m workforce. As a result, foreign contracts have grown in importance.

US contractors supply about half of the $26bn-$30bn world market for high-tech weaponry, but in Latin America the share has fallen to 25 per cent.

With the end of the ban, enforced in the 1970s when most of Latin America was under military rule, Mr Johnson said US defence contractors hoped to recover up to 70 per cent of the market, boosting sales to the region by $200m to $300m a year.

In addition to the Chilean contract, Brazil is understood to be considering the replacement of 50 ageing fighter jets, although military analysts say the decision could be a few years away. Argentina's cash-strapped military has shelved a plan to acquire new aircraft, opting instead to upgrade its Skyhawk fighters.

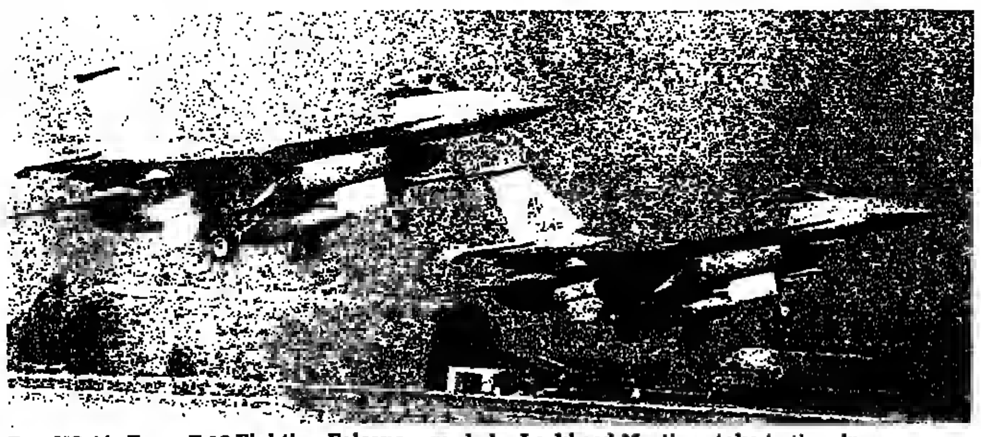
The US military industry had long lobbied for the lifting of the sales ban, arguing that their absence from Latin America had allowed Israeli, Russian and other European manufacturers to move into the once near-captive market.

Peru, denied US aircraft, bought the French Mirage 5 instead and became the first South American nation to have a supersonic fighter. More recently, Peru purchased 12 Russian Mig-29s for an estimated $350m. France has sold Mirages to Brazil, Argentina, Colombia and Venezuela.

Mr Jim Schlueter of Boeing, McDonnell Douglas' parent company, said: "The government's decision levels the playing field in Latin America." He said McDonnell Douglas would compete for the Chilean contract with its F/A 18 Hornet aircraft, the fighter of choice of the US Navy and eight foreign air forces.

US opponents of arms sales to the region fear the supply of advanced US fighters could trigger an arms race and destabilise recently elected democratic governments where civilian control over the military is tenuous at best.

Retired Rear-Admiral Eugene Carroll of the Centre for Defence Information in Washington said: "Pumping arms into the region will not strengthen Latin America's fledgling democracies. The US should not be tempting Latin America into spending its meagre economic resources on buying useless armament."


Two US Air Force F-16 Fighting Falcons – made by Lockheed Martin – take to the air. Reuter

Karadzic

Continued from Page 1

Despite her own wartime record as a fervent Serb nationalist, Mrs Plavsic, a former Fulbright scholar in the United States, is seen as publicly committed to implementing the Dayton accord.

Mrs Plavsic has accused Mr Karadzic and his allies of running smuggling rackets and undermining her authority. She dissolved the Bosnian Serb parliament last month but was then expelled from the ruling Serb Democratic Party (SDS).

Iran cabinet

Continued from Page 1

return of European Union ambassadors to Tehran. EU member countries, except Greece, recalled their ambassadors after a German court ruling in April that Tehran was behind the 1992 killings in Berlin of Kurdish opposition figures.

Although the EU is ready to send ambassadors back, it will only do so after Iran drops its condition that the German ambassador is the last to return.

Teamsters and UPS refuse to meet in nine-day dispute

By Mark Suzman in Washington

Management and workers at strike-hit United Parcel Service, the largest parcel carrier in the US, yesterday accused each other of bad faith and refused to return to the negotiating table.

However, Ms Alexis Herman, US labour secretary, said the White House remained hopeful about an early settlement of the nine-day-old dispute.

In spite of five hours of separate talks with Ms Herman on Monday, neither side has agreed to resume face-to-face discussions, and both say they see little scope for compromise in their dispute over the terms of a new labour contract.

Mr James Kelly, UPS chief executive, repeated his call for President Bill Clinton to take direct action over the strike. He warned in a television interview that a two-week stoppage would cost as many as 15,000 union jobs and have severe knock-on effects on other businesses.

However, at a news conference, Mr Ron Carey, president of the International Brotherhood of Teamsters, the union leading the strike, accused Mr Kelly of using "intimidation and threats" and said there was no justification for intervention by the administration.

Ms Herman briefed Mr Clinton yesterday about her Monday night discussions with UPS officials and the Teamsters and said she was still optimistic that a solution could be found without government intervention.

"They both recognise there is much at stake for the workers, for the company and for the American people," she said. "So when you put it all together, I have to believe that there is more of a willingness to at least seek some kind of resolution."

Under the terms of the Taft-Hartley Act, the president is empowered to intervene in a strike if he feels that it may be putting the nation's health or safety at risk.

UPS, which normally handles about 80 per cent of the nation's land-based parcels, took out full-page advertisements in national newspapers yesterday setting out its position and calling on the union to put the company's proposals to a vote.

"We have customers who are closing down shifts, we have customers who have their business stacked up and they tell me they can't hold out much longer," Mr Kelly said. "The longer this goes on, the fewer jobs we'll have, so this is about destroying jobs at UPS."

Mr Carey replied: "UPS should stop asking government to take sides and should stop asking President Clinton to bail them out."

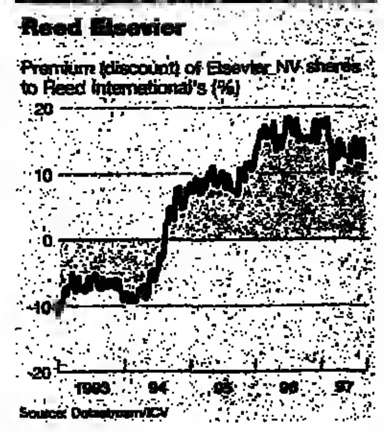
Together with Mr John Sweeney, president of the AFL-CIO, the country's leading trade union federation and a prominent supporter of the Democratic party in last year's elections, Mr Carey also unveiled a "defence fund" backed by other unions across the country.

The money will be used to defray the estimated $10m a week cost of the strike to the Teamsters.

THE LEX COLUMN

Banking on insurance

FTSE Eurotop 300 index
999.4 (+7.3)



The problem with merging insurance groups and banks, as with Winterthur and CS Holdings, is that it takes years to provide tangible evidence of the benefits. Banks cannot remove insurers' existing agency distribution networks in favour of their branches, *so there are few cost savings. Even* the often quoted bancassurance success story, ING, has not been demonstrably successful as far as its shareholders are concerned. Its shares have done extremely well since it was formed in March 1991. *But they have underperformed both* ABN Amro, the bank, and Aegon, the Dutch insurance group. So the two bits of ING might have done just as well on their own.

Nonetheless, it remains unclear that the allure of the big bank mergers that investors are currently thirsting for would necessarily be any better. In the UK and Scandinavia, bank mergers have done wonders for shareholders by hacking costs – three quarters of costs after depreciation are staff. *Most continental European banking* markets are over-supplied and offer lousy returns on capital, making a perfect backdrop for such deals. But more restrictive labour markets, at a time of high unemployment, mean most mergers emphasise less *tangible benefits, such as technology* and marketing. The Hypo-Bank/Vereinsbank merger in Germany was definitely the exception, rather than the rule.

This does not mean there will not be more bank or bancassurance deals. With the removal of competitive barriers after monetary union, size will be a key factor in securing independence. Government and management desire to build national champions may overtake the urge to reward shareholders.

Anglo-Dutch shares

Last month's UK Budget is creating ripples in the Netherlands. The reason? It almost abolished dividend tax credits – but not quite. This has muddied the dividend policy of the three big Anglo-Dutch groups: Shell, Unilever and Reed Elsevier.

All three share similar eccentric structures. The underlying businesses have two shareholders: a Dutch company and a British one. In Shell's case, 60 per cent is owned by Royal Dutch and 40 per cent by the UK's Shell Transport & Trading. Ordinary investors own shares in these holding companies. There are parallel arrangements with *Unilever NV/Unilever plc and Elsevier NV/Reed International.*

So far, so simple. The complexity arises because of tax. Dividends are not paid by the underlying businesses to the holding companies strictly according to ownership. Instead, *all three groups operate a* system under which the *gross* dividends paid by the holding companies to ordinary investors match the ownership split. Before the Budget, this meant that the UK holding companies did not receive as big a *dividend as the ownership split* suggested, on the theory that the Inland Revenue would make up the difference when the dividend was passed on to end-investors.

In Shell's case, this meant that for every £60 in dividend paid to Royal Dutch, only £32 needed to be paid to Shell T&T because the missing £8 would be made up through tax credits. Dividends were being paid out to the holding companies on a 65:35 ratio not 60:40. The system is bizarre. But so long as the tax credit was available, nobody seemed too bothered.

Now, though, pension funds have lost the credit and the question is what to do. One option would be for the underlying businesses to pay out dividends according to ownership. In Shell's case, that would imply a 60:40 split. If the credit had been well and truly abolished, the case for doing so would be undeniable. The snag is that some investors like charities and personal equity plans still receive the credit. Reed Elsevier and Shell are saying this means dividends will continue to be paid according to the old formulas – at least for the time being.

For most shareholders of the British holding companies, this is galling. Moreover, it comes on top of the fact that the Dutch holding companies already trade at a premium – typically around 10 per cent – to their British counterparts. The gap stems largely from a US/Dutch tax treaty which took effect in 1994, exempting US investors *from Dutch withholding tax.*

None of this seems particularly fair. But it is logical for the Dutch companies to resist any proposal to rebalance dividends in favour of the British. The best solution would be to abolish the entire cumbersome *structure of holding companies* – which anyway encourages a bureaucratic management culture – and move to a unified share capital. Alternatively, pension funds could pray for Britain's chancellor to kill off tax credits properly.

United Utilities

The utterances from United Utilities yesterday were sufficiently Delphic to make everyone seem happy. The promise of "immediate action" and a response to the fiery views of shareholders suggests that Sir Desmond Pitcher, the chairman, will be replaced in the autumn. But the unanimity of the board and the postponement of a more definitive decision imply that he could remain *for some time* – so *friends* are claiming a victory. Somebody is going to be disappointed.

The matter before the board should be simple. Mr Derek Green, the new chief executive, appears suited to the job, but he will retire in 2000. Sir Desmond is due to leave at the same time. This is undesirable. Furthermore, having both an executive chairman and a chief executive has been a costly luxury for United. There has been insufficient clarity between the roles, which has created friction. And this has been reflected in a Pitcher discount – the shares are around 10 per cent below where they would trade under an average utility management team. Given Sir Desmond's unwillingness to become a non-executive chairman, that is no solution. So the directors must find a replacement in the quickest possible timeframe. The new chairman can then pick Mr Green's successor.

The board may be tempted to keep Sir Desmond until the perfect replacement is found. But Cable and Wireless thrived in the fast moving world of telecommunications after parting with its warring chairman and chief executive. Dithering is not the answer.

FT WEATHER GUIDE

Europe today

Most of the Mediterranean will be hot and sunny, but the eastern Mediterranean will be unsettled, with thundery showers likely in Greece and Turkey.

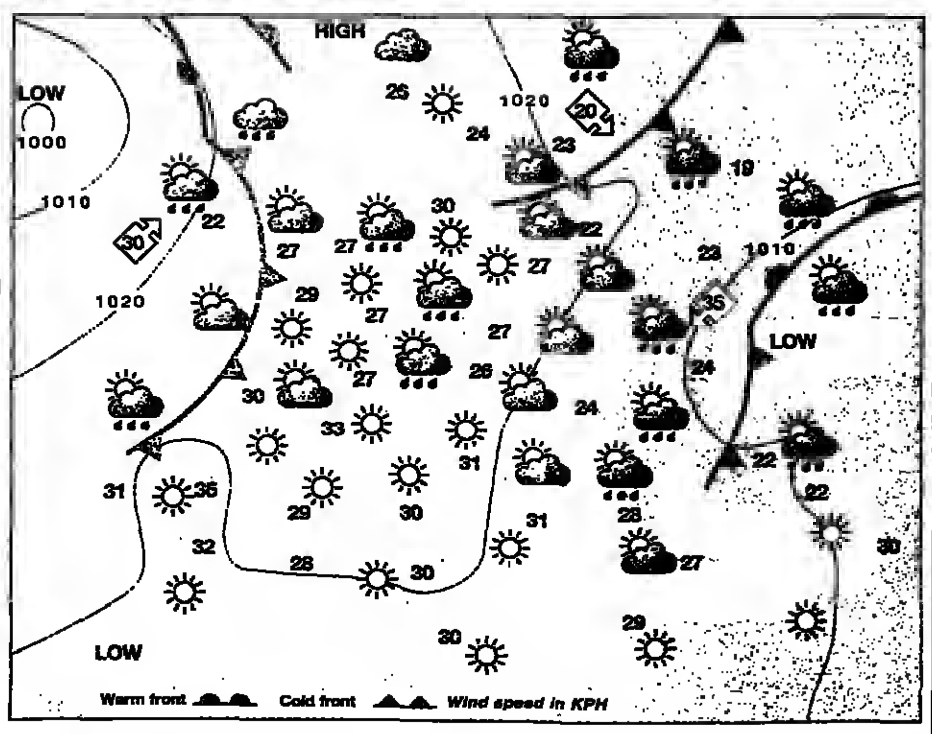
France, the Low Countries and the alpine states will be hot with plenty of sunshine, although afternoon showers or thunderstorms are possible over the Alps. Germany and eastern Europe will be generally dry and sunny with the occasional shower.

Northern Scandinavia will be cooler than of late, with some showers in Finland. Southern parts will stay warm.

Five-day forecast

It will be hot and sunny across most of the Mediterranean, but thundery showers are possible in the east. Northern France, the Low Countries and Germany will be cloudy with rain. There will be some showers in eastern Europe.

Northern Scandinavia will become colder with some rain but the south will be dry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 34	Caracas	Thunder 32	Faro	Sun 30	Madrid	Sun 35	Rangoon	rain 29
	Celsius	Belfast	Shower 22	Cardiff	Cloudy 23	Frankfurt	Sun 31	Majorca	Sun 29	Reykjavik	Fair 20
Abu Dhabi	Sun 39	Belgrade	Cloudy 24	Casablanca	Sun 28	Geneva	Fair 27	Malta	Fair 29	Rio	Sun 24
Accra	Cloudy 28	Berlin	Sun 30	Chicago	Shower 22	Gibraltar	Fair 26	Manchester	Cloudy 23	Rome	Sun 21
Algiers	Sun 28	Bermuda	Shower 30	Cologne	Thunder 30	Glasgow	Cloudy 20	Manila	Thunder 33	S. Frsco	Fair 22
Amsterdam	Shower 27	Bogota	Shower 18	Dakar	Fair 30	Hamburg	Sun 29	Melbourne	Shower 13	Seoul	Shower 31
Athens	Fair 28	Bombay	Shower 32	Dallas	Thunder 36	Helsinki	Shower 20	Mexico City	Cloudy 27	Singapore	Thunder 32
Atlanta	Thunder 32	Brussels	Fair 29	Delhi	Thunder 34	Hong Kong	Thunder 32	Miami	Thunder 33	Stockholm	Sun 24
B. Aires	Sun 21	Budapest	Fair 27	Dubai	Sun 41	Honolulu	Fair 32	Milan	Fair 29	Strasbourg	Thunder 30
B.ham	Shower 26	C.hagen	Fair 25	Dublin	Fair 21	Istanbul	Thunder 23	Montreal	rain 19	Sydney	Fair 19
Bangkok	Thunder 35	Cairo	Sun 31	Dubrovnik	Fair 26	Jakarta	Fair 32	Moscow	Sun 19	Tangier	Sun 31
Barcelona	Sun 27	Cape Town	Fair 19	Edinburgh	Shower 22	Jersey	Sun 21	Munich	Sun 28	Tel Aviv	Sun 30
						Karachi	Fair 36	Nairobi	Fair 23	Tokyo	Fair 30
						Kuwait	Sun 46	Naples	Sun 30	Toronto	Shower 22
						L. Angeles	Fair 28	Nassau	Fair 33	Vancouver	Sun 27
						Las Palmas	Sun 28	New York	Thunder 25	Venice	Sun 26
						Lima	Cloudy 24	Nice	Sun 31	Vienna	Fair 27
						Lisbon	Sun 31	Nicosia	Sun 32	Warsaw	Fair 26
						London	Shower 27	Oslo	Sun 26	Washington	Thunder 32
						Lux.bourg	Thunder 29	Paris	Sun 28	Wellington	Shower 13
						Lyon	Fair 33	Perth	Sun 20	Winnipeg	Sun 22
						Madeira	Cloudy 25	Prague	Sun 27	Zurich	Sun 27

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 13 1997
Week 33

IN BRIEF

SE Banken up 7% in interim

A fall in credit losses helped Skandinaviska Enskilda Banken, one of Sweden's four big commercial banks, to lift first-half profits by 7 per cent. The bank, the financial flagship of Sweden's Wallenberg family, reported e rise in profits from SKr2.7bn to Skr2.9bn. Page 14

Wal-Mart lifted by price war truce
Wal-Mart Stores, the world's biggest retailer, posted a 13 per cent rise in profits to $795m for the second quarter, largely helped by a truce in the price war between the big US discount store groups. Page 15

Buys help Henkel advance 10%
Henkel, the German chemicals group, showed the fruits of its global expansion as sales end profit growth accelerated in the second quarter. Recent acquisitions accounted for more than half of the unexpectedly sharp rise in sales and profits in the first six months. Page 14

Posco poised for Hanbo takeover
South Korea's Pohang Iron & Steel (Posco), and Dongkuk Steel appear likely to conduct a joint takeover of Hanbo Steel after creditor banks failed for a third time to auction the bankrupt South Korean steelworks. The deal would make Posco the world's largest steelmaker. Page 16

SCI in $69m funerals purchase
The North American funeral services industry underwent e further shake-out with e deal involving the three dominant operators. Loewen Group announced it had sold its minority stake in Arbor Memorial Services to arch-rival Service Corp International for $69m. Page 15

Glynwed seeks £100m of acquisitions
Glynwed International, the UK engineering group, is to seek acquisitions worth up to £100m as part of an aggressive strategy to reshape itself. The Midlands-based company, said it would seek to invest in its consumer prodncts and pipe systems divisions. Page 17

Utd Utilities to act on succession
The board of United Utilities, the UK multi-utility, pledged to take "immediate ection" to solve succession issues centering on Sir Desmond Pitcher, executive chairman. It confirmed it had discussed the views of shareholders about the future of Sir Desmond and would make an announcement in the eutumn. Page 17

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
BASF	73.65	+ 2.25
Badenwerk	550	+ 23
Bankges Berlin	51.90	+ 3.15
IKB Deutsche	40.35	+ 1.25
Volkswagen	1351	+ 28
Falls		
VEW	574	− 11
NEW YORK ($)		
Rises		
Beijing Yanhua	17¾	+ 3⅝
Jilin Chemical	29¼	+ 3¾
Quick & Reilly	32⅜	+ 3
Shanghai Petro	38½	+ 4
Falls		
Scania AB	28½	− 1½
Valero Engy	32⅜	− 10⅜
LONDON (Pence)		
Rises		
Caird	745	+ 62½
Oasis	248	+ 21
Orange	216	+ 7
Falls		
Clyde Blowers	307½	− 22½
Easynet	79½	− 4½
Halstead (J)	205	− 37½
TORONTO (C$)		
Rises		
Etruscan Entr	5.70	+ 0.55
Southernera	11.25	+ 0.85
Spectrum SIS	10.25	+ 0.75

Falls		
Beacon Eye	4.50	− 0.60
Digital Prcss	10.00	− 1.00
Glentel	2.50	− 0.65
PARIS (FFr)		
Rises		
Chargeurs	349.80	+ 19.80
Danone	952	+ 11
Eridania B-Say	829	+ 18
Peugeot	739	+ 23
Falls		
Geophysique	675	− 20
Seb SA	1009	− 28
TOKYO (Yen)		
Rises		
Japan Radio	1280	+ 80
Kajima	570	+ 25
Kokuyo	2780	+ 90
Okuma Corp	763	+ 39
Shiseido	2080	+ 110
Falls		
Calsonic	752	− 24
HONG KONG (HK$)		
Rises		
Henderson Inv	8.80	+ 0.15
Sime Dar HK	9.30	+ 0.20
Sth Ch Mrn Pst	7.80	+ 0.35
Falls		
Chinese Est	7.20	− 0.18
Great Eagle	27.70	− 0.65
Sino Land	8	− 0.15

New York & Toronto prices at 12.30. Bangkok closed.

De Beers extends dynasty

Nicky Oppenheimer to become chairman of diamond group founded by his grandfather

By Kenneth Gooding in London and Mark Ashurst in Johannesburg

Mr Nicky Oppenheimer is to become the third generation of his family to be chairman of De Beers, the group that dominates the world diamond business.

Mr Julian Ogilvie Thompson, the present chairman, is to stand down at the end of this year.

Yesterday'e announcement coincided with the release of De Beers' interim results, which were well below expectations. The group'e sheres shed R8 ($1.71) to close at R163.

De Beers is indivisibly linked with the Anglo American Corporation, the precious metals and industrial group founded by Sir Ernest Oppenheimer in 1917. Sir Ernest became chairman of De Beers in 1929 and, following his death in 1957, Mr Harry Oppenheimer, Nicky's father, took over. He retired in 1982 and Mr Ogilvie Thompson moved into the chair.

It was widely assumed that Mr Nicky Oppenheimer, now 52, would follow in his father's footsteps but the timing of his appointment took some hy surprise.

Some observers bad suggested thet Mr Oppenheimer, now deputy chairman, might wait until Mr Ogilvie Thompson stepped down from all his chairmanships – he also heads Anglo and Minorco, the group's vehicle for operations outside of Africa.

However, insiders et De Beers said it was more logical for Mr Oppenheimer gradually to move into the chairmanships.

Mr Oppenheimer made it clear again yesterday that be expected Mr Ogilvie Thompson, wbo will be 64 in January, to remain chairman of Anglo and Minorco "into the next century". He said his assumption of the De Beers' chairmanship "does not mean any loosening of the ties which bind the greater Anglo-De Beers-Minorco group together".

Mr Ogilvie Thompson will maintain his relationship with De Beers hy becoming deputy chairman.

Income from De Beers' diamond business (the so-called "diamond account") increased hy 14 per cent to $510m in the six months to June 30, helped by record sales of $2,880m.

But earnings attributable to shareholders, excluding exceptional items, fell 10 per cent to $1.14 per linked De Beers/Centenary unit, compared witb $1.27 e year ago. The results were buoyed by exceptionals of $75m.

The dividend was unchanged et 27.4 cents.

India moves to sell stakes in state 'jewels'

By Krishna Guha in London and Mark Nicholson in New Delhi

Indie yesterday announced the appointment of lead managers to co-ordinate two international equity offerings which are expected to be the biggest in the country'e bistory.

The issues of global depositary receipts – paper which trades in lieu of underlying shares – by Mahanagar Telephone Nagar (MTNL) and Gas Anthority of India (GAIL), both state-owned companies, could total more than $1.35bn.

Competition for the mandates was fierce. The state disinvestment committee said 25 investment hanks attended beauty parades. Goldman Sachs, HSBC and DSP-Merrill Lynch won the mandate for MTNL, while Morgan Stanley, BZW and Robert Fleming/Jardine Fleming will co-ordinate the GAIL issue – all as joint book-runners.

No dates have been fixed but bankers close to the deals said the government intended "to move quickly, and certainly by tbe end of the calendar year".

They added that the MTNL issue, which will comprise the sale of 47m state-beld shares and 60m new shares, wonld be worth about $800m, making it India's biggest.

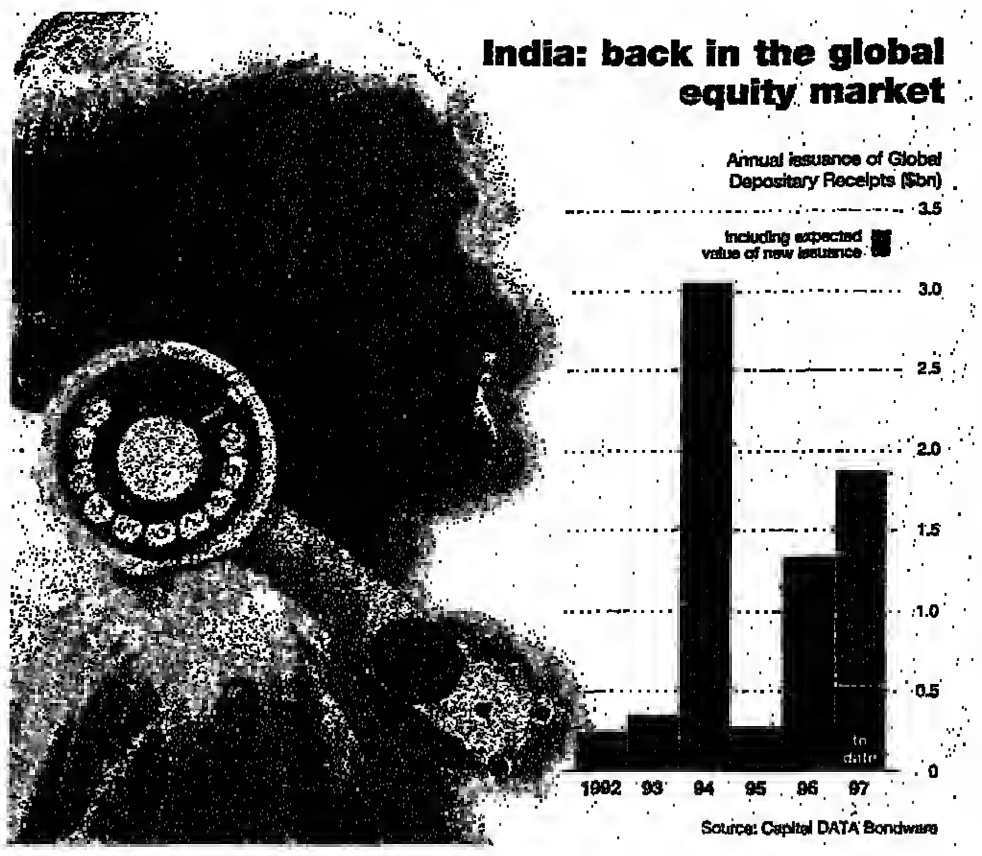
After the sale, the government will retain a stake of about 51 per cent in the telephone company, which operetes local calls in the lucrative Bombay and Delhi markets.

GAIL, India's main supplier of natural gas, is expected to match India's previous record GDR issue, at about $550m. The government will still bold a stake of more than 70 per cent after the sale of 180m shares.

The GDR issues are the cornerstone of India's privatisation programme. The government aims to sell minority stakes in India's state-owned "jewels" to overseas investors while maintaining control.

India bopes to raise Rs48bn ($1.4bn) this financial year by dieinvestment, principally through GDRs. Many foreign investors are deterred from investing in Indian stocks directly by settlement problems and the need to obtain regulatory approval.

Private sector companies – ective issuers of GDRs et the beight of India's stock market hoom in 1994 – may also return to the market. Bnt bankers said MTNL and GAIL could sate the Indian GDR market for tbe rest of this year.



Source: Capital DATA Bondware

Bronchitis drug trials boost UK group

By Daniel Green

Cortece, tbe UK-based biotechnology company, yesterday produced its second set of good results in a week from trials of drugs in development, prompting a further rise in its share price.

Following successful preliminary tests the company will begin the final stage of clinical trials for Pseudostat, a treatment for bronchitis, and is bopeful that the drug could be on the market by late 1999. Analysts at Lehman Brothers, the stockbroker, forecast peak sales of Pseudostat of $250m e year in 2004.

Cortecs shares rose 21½p to 237½p, more than 40 per cent higher than a week ago. Last week's news that the company had completed successful trials for Macritonin, a osteoporosis treatment, pusbed tbe ehare price up by ebout 10 per cent.

The market's entbusiesm spilled over to other parts of the biotech sector, which has been depressed by e number of disappointing clinical trials. Among tbe market movers yesterday were Britisb Biotech, the sector's flagship, and Chiroscience.

Mr Michael Flynn, Cortecs' president, said the Pseudostat results were only preliminary. Full results would be out in another four to six weeks. He said he expected them to confirm the beneficiel effect of Pseudostat. In the tests, bronchitis patients taking the drug suffered an average 10 days of infection compared with 106 days for those wbo took a placebo.

Versace's family outlines proposal for revamp

By Alice Rawsthorn

The Versace family intends to restructure Gianni Versace, one of Italy's largest fashion groups, following the murder of the company'e founder and chief designer.

Gianni Versace was shot on the steps of his waterfront mansion on Miami Beach last month.

Mr Santo Versace, his elder brother, wbo runs the commercial side of tbe family business, has scheduled a shareholders' meeting in Milan next month. This will consider proposals to merge three companies under his control – Modifin, Istante Versa and Alias – into the Versace group.

Mr Versace is also expected to comment on the group's proposed flotation on tbe Milan and New York stock markets. Before the death of Gianni Versace, the flotation was scheduled for next spring. It is now expected to be postponed until prospective investors have been convinced that the company can prosper without its founder.

Tbe Versece family is believed to own the majority of shares in the group, whicb made estimated pre-tax profits of L175bn ($97.76m) on net revenue of L845bn last year, wben the Gianni Versace brand generated wholesale turnover of L1,705bn.

Mr Gianni Versace is understood to heve owned 45 per cent of the family bolding, with his brother, Santo, holding a 35 per cent stake and their younger sister, Donatella, owning 20 per cent. The details of the designer's will are not known, but he is thought to have left his shares to family.

Ms Donatella Versace, who was her brother's design assistant for more than a decade and has been chief designer of the sporty Versus collection for several years, is expected to succeed him as chief designer.

Sales of Versace products are reported to beve been strong since his death.

However, it will not be possible to gauge tbe long-term prospects of the group until the spring/summer 1998 ready-to-wear range, the first Gianni Versece collection to be designed since his murder, is unveiled in Milan at the end of September.

Barry Riley

UK funds are losers at the weighting game

The problems of British portfolio managere in bandling Wall Street, which I discussed bere on July 2, are bad enougb. But there is an even bigger embarrassment in the recent underperformance of British institutions in their own backyard.

According to the performance measurement consultants WM, pension funds have underperformed the All-Share Index in their UK equity portfolios by 130 basis points (1.3 per cent) in the first half of 1997. The rival Cape servica puts the underparformance provisionally at 280 basis points during the 12 months to June 30. Against the FTSE 100 Index total return, this one-year shortfall is an extraordinary 800 basis points.

In mitigation, their bad patch comes after a three-year period in which pension funds have slightly outperformed the All-Share. Thera hava hsen bad years before, as in 1988 when the average underperformance wae 100 basis points. But this year's difficulties are exceptional.

On the face of it, fund managers have made a hash of stock selection in a year when a handful of big capitalisation stocks have scored buge gains. Certainly the preoccupation with emallar capitalisation "value" stocks has proved a mistake. But it is also arguabie that there is a purely technical problem arising from the construction of the benchmark.

Stocks such as HSBC, Glaxo and SmithKline Beecham (worth individually between 4.5 and 3 per cent of the All-Share) have greatly outperformed this year. But they are inevitably under-owned by British institutions in aggregate because of the big interests of US and Far Eastern investors in such stocks.

A further significant problem could have arisen from the flotations of demutualisad building societies, in which the UK institutions were only eble to pick up early exposures of about 25 per cent compared with the 50 per cent they own ecroes the market. In fact these banks did not enter the index until very late in the period, and the shares have not performed. But there is the potential for trouble ahead.

Index weighting distortions could get worse as the London market becomes still more international

Details of these weighting problems are discussed in a fascinating analyeis of UK share ownership hy the strategy team at Schroder Securities – actually an update of a January study which warned, *inter alia*, of the risks of being underweight in banks. Tha analysis is based on ownership data supplied by Citywatch.

Most of the pension funds' underperformance in January-June is attributed to two stocks, HSBC and SmithKline Beecham. But Schroders said it would cost pension funds £20bn ($32.6bn) to echieve neutral exposure to the top 30, not allowing for the resulting upwards price squeeze.

Aggregate end-June figures indicate that UK funds owned 50.5 per cent of the UK equity market, wbile foreigners owned 14.6 per cent (including 12.4 per cent in US hands, up from 10.6 per cent in December). There are, however, large gaps in the data (owners of 27-28 per cent of the market cannot be identified).

Index weighting distortions oould get worse as the London market becomes still more international. Thus Billiton, the South African mining group, now London-listed, will enter the Footsie next month (likely weighting, 0.6 per cent). The big pension fund houses have tended to measure their risks mainly against each others' portfolios, but this has led to Mercury, PDFM and Gartmore propping up the Caps pooled pension funds performance table after six months, all being some 3 per cent below the median.

Rational fund managers can dismiss the weighting game as a mechanism for creating an absurd technical distortion of fundamental values. But they risk handing a gift-wrapped marketing present to promoters of index-tracking funds. Meanwhile Schroders finds that US funds are already shifting out of the big cap leaders into cyclicals and recovery stocks such as BICC, BTR and British Steel. Might domestic managers he caught short in the next sector rotation, too?

Barry Riley will resume this Wednesday column on September 17.

Acquisitions help Henkel advance 10%

By Graham Bowley in Frankfurt

Henkel, the German chemicals group, yesterday showed the fruits of its aggressive global expansion as sales and profit growth accelerated in tha second quarter of 1997.

New acquisitions – including Loctite and Novamax, the US groups it bought last year – accounted for more than half of the unexpectedly sharp rise in sales and profits in the first six months of 1997.

Half-year sales rose 22 per cent to DM9.8bn ($5.3bn); pre-tax profits climbed 10 per cent to DM438m. Both figures were above analysts' expectations.

"These are impressive sales figures, showing higher than expectsd underlying growth," said Mr Christian Schlimm, analyst at Schröder Münchmeyer Hengst in Frankfurt.

However, analysts warned the figures were boosted hy the weakness of the D-Mark. They also stressed that it wes still unclear whether there would be further restructuring charges following the company's reorganisation of activities.

Stripping out acquisitions and currency effects, sales increased 4 per cent, Henkel said.

Like many other German companies, Henkel has made renewed efforts to hoost shareholder value.

It has attempted to focus on core activities and has made purchases abroad. Besides Loctite and Novamax, it acquired a majority stake in Schwarzkopf, the Hamburg-based hair cara group, in late 1995.

Henkel has sold its 16 per cent stake in Degussa, the German metals and chemical group, to Veba, the German utility.

It said yesterday it would use the DM1.3bn proceeds to finance its purchase of Loctite, the adhesives and sealants company.

Henkel said it expected the positive developments in the first half of 1997 to continue in the second half, with full-year profits expected to beat last year's DM515m.

Growth in the first six months had been especially strong in the chemicals products division, where sales rose 14 per cent to DM2.4bn.

Acquisitions accounted for 13 percentage points of the total 22 per cent increase in sales. Currency fluctuations were responsible for 5 percentage points of the total sales growth.

Rivals unlikely to follow Credit Suisse lead

Credit Suisse Group shares fell for the second day running yesterday, as the stock market reconsidered the wisdom of its SFr14.3bn ($9.4bn) bid for Winterthur. However, if Alfred Escher, founder of Credit Suisse, had been consulted he would no doubt have given the thumbs up to a deal that creates one of Europe's top half-dozen financial service groups.

It is little wondar that three of Switzerland's top four insurance companies – Swiss Re, Zurich Insurance and the demutualised Rentenanstalt/Swiss Life – are clustered around Zurich's Alfred Escherstrasse. Escher's Credit Suisse helped found all three and has had particularly close ties with Swiss Re, the world's second biggest reinsurer.

Mr Ulrich Bremi, Swiss Re chairman, sits on the Credit Suisse board, and Mr Lukas Mühlemann, Credit Suisse chief executive and architect of the Winterthur acquisition, is deputy chairman of Swiss Re.

Switzerland's leading banks and insurance companies

Market capitalisation, SFrbn

		Insurance ties
Credit Suisse	39.8	Proposed SFr14.3bn merger
Winterthur	14.0	Number one in Swiss non-life Number two in Swiss life assurance
UBS	43.1	25% of Swiss Life market leader in Swiss life assurance
Swiss Re	32.1	Credit Suisse helped found Swiss Re, maintains close board and financial ties
Swiss Bank Corp	32.0	Co-operates with Zurich, number two in Swiss non-life insurance, and number three in life assurance
Zurich Insurance	28.9	Co-operates with Swiss Bank Corp
Swiss Life	10.5	Close co-operation with UBS
Baloise	4.0	Number four in Swiss life and non-life markets

Source: FT research, figures as of ond July 1997

By bidding for Winterthur, a former close ally of Union Bank of Switzerland, Credit Suisse has dived deeper into insurance than any other Swiss bank. Will its rivals be tempted to follow?

Winterthur sbares have nearly doubled this year and its return on equity is far less than the 15 per cent that Credit Suisse is shooting for. But despita the price, the deal looks good on paper. It substantially strengthens Credit Suisse's balance sheet, which was the weakest of the three Swiss banks at the end of last year. Based on pro forma sccounts, its Tier One capital ratio rises from 8 per cent to 10.7 per cent, putting it comfortably ahead of UBS (9.2 per cent) and Swiss Bank Corporation (8.3 per cent).

The deal more than doubles Credit Suisse's funds under management, making it the third biggest global fund manager after Fidelity, of the US, and France's Axa/UAP, and gives it a 15m customer base. It will also improve the quality of Credit Suisse's earnings by adding a fourth big source of income.

Swiss Bank Corporation, the smallest of the big three, had been the trend-setter when it comes to high-profile deals. So would it be tempted to buy Baloise, its Basle-based neighbour which is often talked of as a takeover target? It is number four in both the Swiss life and non-life sectors, and its shares have underperformed the market this year, unlike those of Winterthur.

SBC's official line is that the "costs required to enter the insurance business directly outweigh the potential benefits", and it is concentrating on its co-operation agreement with Zurich, Switzerland's second biggest insurer.

It sold SFr384m of new life business last year and Zurich sales staff bronght in more than SFr100m of mortgages. This looks impressive compared with the SFr150m in extra revenues Credit Suisse is expecting from its link with Winterthur.

UBS also seems unlikely to follow Credit Suisse's lead. It has formed a close alliance with Swiss Life, the leading Swiss life assurer, and is its biggest shareholder.

The cross-marketing opportunities for banks and life assurers are much greater than for banks and non-life insurers. This suggests that a UBS acquisition of Swiss Life would make even more sense than Credit Suisse's purchase of Winterthur whara roughly two-thirds of the profits come from non-life operations.

However, UBS is mnch more conservative than its two rivals and does not have a Lukas Mühlemann-type figure to take on the challange of welding together two very different cultures.

Mr Lewis Phillips of Fox-Pitt, Kalton, which advised Credit Suisse on the Winterthur deal, believes that only by owning 100 per cent of an insurer can a bank maximise the benefits of cross-selling. However, Mr John Leonard of Salomon Brothers is more sceptical. "Insurance products can be purchased from a wide range of sources. Yon don't need to own the factory," says Mr Leonard.

William Hall

SE-Banken climbs 7% as loan losses tumble

By Greg McIvor in Stockholm

A sharp decline in loan losses belped Skandinaviska Enskilda Banken, one of Sweden's four big commercial banks, to lift first-half profits 7 per cent.

The bank, the financial flagship of Sweden's Wallenberg family, reported a rise in pre-tax profits from SKr2.7bn to SKr2.9bn ($363m).

Mr Jacob Wallenberg, SE-Banken's new chief executive, attributed the improvement chiefly to a 73 per cent decline in loan losses, which fell from SKr703m to SKr186m.

Investors had expected profits to be above SKr3bn and SE-Banken's most-traded A shares slipped SKr2.50 to SKr96.

Exclnding bad loans, operating profits were down 11 per cent, from SKr3.5bn to SKr3.1bn.

SE-Banken, which earlier this year walked away from merger talks with Nordbanken, the partly state-owned bank, pledged to redouble efforts to cut costs.

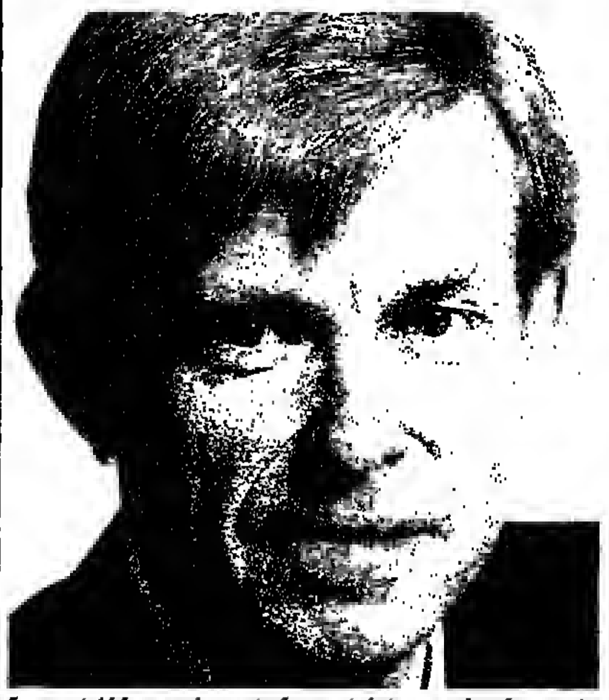
Overheads rose 12 per cent in the first six months because of staff recruitment and higher costs in information technology and marketing. However, Mr Wallenberg emphasised that costs bad been held at the same level as in the second half of last year.

The net interest margin advanced from SKr3.5bn to SKr4.3bn, owing mainly to higher revenues caused by a wider gap between short and long-term interest rates.

Total lending to the public rose 16 per cent, belping to lift net lending income despite pressura on margins. But a 14 per cent growth in deposit volumes was insufficient to offset slimmer margins on deposits. Net deposit income declined as margins tightened, reflecting tough competition in the sector.

SE-Banken's market share of lending rose from 13.2 per ceot to 13.8 per cent and its share of deposits advanced from 17.8 per cent to 19.1 per cent.

Net commission income rose 30 per cent, from SKr2.2bn to SKr2.9bn.



Lennart Ahlgren: element of uncertainty over developments

AssiDomän fall blamed on weak forestry cycle

By Greg McIvor in Stockholm

AssiDomän, tbe Swedish pulp and paper group, yesterday blamed a weak forestry cycle for a 28 per cent slide in first-half profits.

Pre-tax profits tumbled from SKr1.2bn to SKr859m ($107.7m), reflecting soft European demand and lower prices of key paper and packaging grades.

However, Assi was confident that a gradual turnround in the sector would continue through the second half and would boost earnings.

The industry's emergence from a downturn thet has lasted almost two years was underlined as Assi lifted second-quarter pre-tax profits for the third consecutive quarter. The second-quarter level of SKr499m was the highest three-month figure since the 1996 first quarter.

Mr Lennart Ahlgren, chief executive, predicted profits would continue to rise. "A continued weak improvement in the European economy... provides scope for a continued strengthening of the business climate for forestry products in 1997," he said.

But he added that European construction activity remained low. Combined with sagging consumer demand, this cast an element of uncertainty over developments.

Assi's shares responded by climbing SKr6 yesterday to SKr240, although the increase slightly underperformed s 3 per cent rise in the Stockholm bourse's forestry index.

The group said a rebound in most of its product areas which started at the beginning of this year had continued. This was particularly so in kraftliner (a key packaging grade) and cartonboard.

Demand for corrugated board, packaging paper and barrier-coated paper was also rising, but some price rises bad had to be postponed.

Group turnover advanced from SKr9.7bn to SKr10.1bn, up 4 per cent. A wave of acquisitions this year in central and eastern Europe raised horrowing costs, pushing net financial items from a SKr47m deficit to a SKr165m deficit.

Spending on acquisitions was SKr3.4bn in the first half, compared to SKr676m in the whole of last year.

EUROPEAN NEWS DIGEST

Sandvik hit by currency factors

Currency hedging and other financial factors have taken their toll on Sandvik, the Swedish industrial group which yesterday reported a 18 per cent drop in pre-tax profit to SKr2.11bn ($265m) for the first six months of 1997. Operating profit improved in the second quarter against the first quarter and the same period last year, but half-year operating profit fell from SKr2.33bn to SKr2.08bn.

Sandvik blamed hedged currency rates for exports from Sweden being much lower than in the first six months of last year, and falling prices for its steel business area. A sharp decline in net financial items from SKr280m to SKr28m, due to lower liquidity and lower interest rates, also pressured six-months earnings, Sandvik said. Meanwhile, first-half sales grew 6.1 per cent to SKr15.48bn, because of the average weakening of the krona against the dollar, the pound and the yen.

Currency movements will not affect earnings favourably until the third quarter as Sandvik continually hedges rates for exports from Sweden, the company said.

Sandvik said it saw 1997 profit in line with that of 1996.

AP-DJ, Stockholm

■ DEUTSCHE TELEKOM

Joint bid for Olivetti reported

Deutsche Telekom and Enel, Italy's state-controlled electricity company, are planning to launch a takeover bid for Olivetti, according to a report today in the German daily Handelsblatt. The report says the German telecommunications giant wants to obtain Omnitel-Pronto, the mobile phones venture controlled by Olivetti.

Deutsche Telekom yesterday refused to confirm the report, but said its T Mobil division was still going to bid for the third Italian mobile licence. Handelsblatt said if Deutsche Telekom succeeded with the Olivetti bid, it would be sble to abandon the mobile strategy.

AFX News, Frankfurt

■ ISRAEL

Scitex returns to profit

Scitex, tha Israeli manufacturer of graphic arts and digital printing products, yesterday reported a return to tha black after four quarters of losses. Net profits in the second quarter were $157,000, compared with a net loss of $6m in the same period last year. Losses were cut in spite of a 12 per cent fall in revenues from $190m to $167m over the same period. Earnings per share were nil, compared with a 14 cent net loss per share in the same quarter last year. The results surprised analysts, several of whom had predicted losses for the quarter. *Avi Machlis, Jerusalem*

■ SOUTH AFRICA

Sentrachem rejects Dow bid

Sentrachem, the South African chemicals producer, has emerged as the prize in one of the country's rare hostile takeover battles after minorities yesterday rejected a bid from US-based Dow Chemicals. Old Mutual, the life assurer which holds 16 per cent of Sentrachem, rejected an offer of R10.50 a share from Dow. "The offer does not adequately represent the value of Sentrachem's bid," Old Mutual said in an announcement advising shareholders to turn down the bid.

Its decision conflicts with Sanlam, Old Mutual's principal rival in the life assurance market, which last week accepted Dow's offer for its 38 per ceot stake. Prior to the bid, the shares had slumped to R7.92, from R17 a year ago, following profit warnings at Sentrachem. Dow, tha world's fifth largest chemicals company, needs 90 per cent of the shares to delist Sentrachem, whose management have opposed the bid. *Mark Ashurst, Johannesburg*

■ ROMANIA

Sidex appoints NatWest Markets

NatWest Markets has been appointed by Sidex, the biggest Romanian steelmaker, to help raise international capital and to advise on privatisation. NatWest was selected over Merrill Lynch and Flemings.

Sidex has spent $240m on modernisation over the past three years, and Romanian press reports suggest that the company, one of Romania's biggest, will need to raise about $300m more to complete its programme.

Anatol Lieven

■ ENGINEERING

ABB to buy 80% of Zwar

ABB, the Zurich-based engineering group, has agreed to buy an 80 per cent stake in the Zwar group of Poland for an undisclosed sum. The remaining 20 per cent in the Polish group, to be named ABB Zwar, will stay in state hands, ABB said. The transaction is subject to regulatory approval. Zwar, which employs 1,750, manufactures switchgear and high-voltage equipment.

AFX News, Zurich

■ SLOVENIA

EBRD invests DM25m

The European Bank for Reconstruction and Development is set to invest DM25m ($13.5m) in Merkur, the Slovenian specialist in retail and wholesale sales of household hardware and garden tools. Subject to approval at its board meeting in September, the EBRD will become 20 per cent owner of Merkur. Merkur shareholders have already approved the capital increase.

"This reinforces our philosophy that we are prepared to encourage and defend purely domestic companies," said Ms Noreen Doyle, EBRD deputy vice-president. Merkur, based in Kranj just north of Ljubljana, the Slovenian capital, turn over DM445m in 1996, making it the seventh largest Slovenian company. Pre-tax profit was DM8m. The company plans to list its shares next year on the Ljubljana Stock Exchange. *Jack Grimston, Ljubljana*

■ TELECOMMUNICATIONS

Tele Danmark buys Czech stake

Tele Danmark said yesterday it had bought a 20.8 per cent stake in Ceske Radiokomunikace, the Czech Republic's biggest operator of satellite telecommunications for mobile and fixed telephones. CR has a market capitalisation of Kc9.3bn ($273m). Tele Danmark paid Kc4,500 a share, a heavy premium on yesterday's price of Kc4,120.

CR, which is 70.4 per cent owned by the government's National Property Fund, has a 51 per cent stake in Radiomobile, one of two Czech mobile telephone operators. The remaining 49 per cent is held by a consortium of Deutsche Telekom, Telecom Italia and two local companies. CR also operates 85 per cent of the Czech Republic's radio and television broadcast frequencies. The acquisition marks Tele Danmark's third attempt to enter the Czech telecoms industry. It was one of the unsuccessful bidders to be a partner in Radiomobile in 1996 and to buy a stake in SPT, the fixed line monopoly, in 1995.

Analysts in Prague said the acquisition was linked to government plans to divest itself of a near 30 per cent stake in CR, reducing its holding to 51 per cent.

Joe Cook, Prague and Hilary Barnes, Copenhagen

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

هكذا من الأصل

Truce in price war lifts Wal-Mart

By Richard Tomkins in New York

A truce in the price war between the big US discount store groups helped Wal-Mart Stores, the world's biggest retailer, report a 13 per cent increase in net profits to $796m for the second quarter to July.

The company also benefited from efforts to cut its inventories, so reducing its interest expense. It said inventories in its domestic retail divisions fell by more than $300m, in spite of an 11 per cent increase in sales to $28.4bn.

Earnings per share rose by 13 per cent to 35 cents, in line with analysts's forecasts, and the company's stock edged up $⅝ to $37⅛ in early trading.

The US discount store sector has usually been characterised by cut-throat price competition between the big operators, which include Wal-Mart, Kmart and Target, a unit of the Dayton Hudson group.

But Mr Patrick McCormack, a retail analyst at Alex. Brown, said the competition had shown signs of easing in the second quarter.

"The discount store pricing eovironment is quite favourable," said Mr McCormack. "Wal-Mart and Kmart are uot beating each other up on price, and that has helped profit margins. Both Wal-Mart and Kmart are concerned about growing their businesses profitably and not taking market share for the sake of it."

Kmart, which has been suffering severe financial difficulties as a result of the competition, has not yet reported its second-quarter results, but investors appeared to take Wal-Mart's figures as an indication that Kmart's would be significantly better, too. Kmart's shares were up $⅜, or 3 per cent, at $11¾ in early trading.

Mr David Glass, Wal-Mart chief executive, said all the group's retail businesses, which include the Sam's Club membership warehouses and an international division as well as the Wal-Mart discount store division, experienced strong sales and significant improvements in operating income.

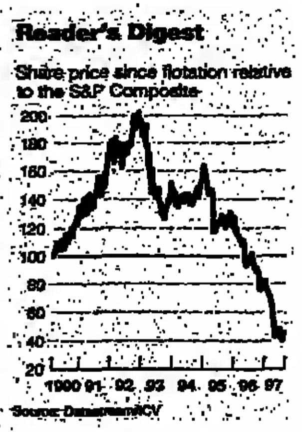
Another big US retailer, J. C. Penney, reported less impressive second-quarter resnlts yesterday. Net income fell from $93m to $90m, although the company said earnings per share would have edged ahead from 37 cents to 38 cents without costs relating to its acquisition of Eckerd Drugstores.

However, J. C. Penney's share price surged $2¾, or nearly 5 per cent, to $60¾ in early trading after the previous day's announcement that the company hoped to save $120m a year by offering early retirement to 1,500 staff.

Investors impatient with Reader's Digest

For a struggling publishing company, Reader's Digest's circulation figures still look impressive. Its monthly magazine has more than 100m readers, making it the most widely read magazine. Sold primarily by subscription, it is published in 48 editions and in 18 languages.

But the view of the author Thornton Wilder appears to have gained currency. He described Reader's Digest, with its unremittingly positive tone, as "a magazine for bores, by bores about bores".



Repeated efforts in the past few years to invigorate the company – and its stock price – have so far failed. Consequently, the departure on Monday of Mr James Schadt, its chairman and chief executive officer, came as little surprise. The company will be run by its former chief executive officer Mr George Grune while a committee searches for a new leader.

The announcement came after a period of falling revenues. Earlier this year, the company issued a profits warnings as a resnlt of "lower customer response to many of its promotional mailings in most markets".

The magazine, according to one analyst, is mainly read by "old folks and holy rollers" and has failed to attract a younger breed of readers. Its share price has underperformed the S&P 500 index by 80 per cent in the past five years. Some investors have held on, partly because of the company's rich dividend, but that was halved last month from 45 cents a share, as the company tightened its belt and invested in new areas.

The 13 per cent rally in the company's share price following the announcement of Mr Schadt's departure suggests that investors had grown impatient. Mr Schadt was seen as a marketing man, whose previous experience was in consumer products, at Cadbury-Schwepppes and PepsiCo, rather than publishing.

"All [Mr Schadt] did was to add bells and whistles and CD-Roms, but he never changed the product," said Mr Ivan Obolensky, an analyst at Shields, an investment banking firm. "The product itself was "past its time" and no amount of marketing could compensate, said Mr Obolensky.

However, othsrs were more optimistic. Ms Linda Bannister, of Edward Jones, said she believed Reader's Digest had made "some progress" in attracting a younger audience. In recent years, the company has diversified ioto new areas such as music and videos – last year it sold 10m cassette and CD sets in 28 countries, and 5m videos, on subjects such as travel and wildlife, in 24 countries. It is also active in television and the internet.

As well as the poor share price performance, there has also been unhappiness among some shareholders about the company's structure. The company went public in 1990, but most of the voting stock is owned by the DeWitt Wallace-Reader's Digest Fund and the Lila Wallace-Reader's Digest Fund, trust funds set up by the company's founders.

According to some shareholders, ths division between the board and the owners of the company has not been sufficiently clear-cut. However, the dsparture of Mr Schadt could signal a new direction, according to some analysts.

Mr Grune is regarded as a safe pair of hands, while a new leader is found. In fact, Mr Grune, who served as chief executive officer from 1984, was the architect of sweeping changes at the company, including the drastic reduction of staff from 10,000 to its current level of 6,300. His changes had met some resistance within the company, which is based in Chappaqua, New York, but uses as for its address nearby Pleasantville, and resulted in the departure of some senior editors. "An institution that loses a sense of its origins may find that its destiny deteriorates," warned one.

But many analysts now believe that a further departure from its roots – the magazine was launched in 1922 – is essential. Mr Obolensky said he believed that the choice of the search committee was vital to the company's future. It oeeded "a whizz kid" and a "changed philosophy", adding that if they got a number-cruncher they would be "dead".

Tracy Corrigan

AMERICAS NEWS DIGEST

US retailer acts to halt 'poaching'

Montgomery Ward, the Chicago-based retailer which last month filed for Chapter 11 bankruptcy protection, yesterday won a temporary restraining order against Sears Roebuck, one of the largest stores groups in the US and which also has its headquarters in Chicago, preventing the bigger company from poaching its staff.

Montgomery Ward claimed Sears had "systematically" contacted Ward staff after the filing, "in an effort to weaken the organisation". It maintained that the recruiting methods were "highly questionable" and predatory, and that recruiters had been instructed to keep a headcount of how many people they could lure from Ward.

Nikki Tait, Chicago

■ AGRICULTURAL MACHINERY

John Deere advances

John Deere, the Illinois-based agricultural machinery producer, yesterday announced a third-quarter profit of $253m after tax, up from $204m in the year-ago period. This took Deere's profits for the first nine months of the financial year, to end-July, to $749m, a 16 per cent increase on the $643m seen a year earlier.

Deere said the improvement stemmed from "strong worldwide retail demand for the company's products, especially tractors and combines". Sales for the first nine months were 12 per cent higher at $9.35bn, with exports rising from $1.22bn to $1.52bn. *Nikki Tait*

■ INTERNET TRADING

CME plans pre-launch trial

The Chicago Mercantile Exchange said yesterday that it planned to offer "virtual" trading of its new "E-mini" S&P 500 futures and options contracts, ahead of the formal launch on September 9 – the first time an exchange has attempted pre-launch trial trading over the internet.

The "E-mini" contracts are priced at $50 times the S&P index - substantially smaller than the main S&P 500 futures contract - and are designed to attract smaller private investors.

Anyone participating in the pre-launch trial will get $100,000 in simulated funds to trade. *Nikki Tait*

Bank of New York adopts custody role

Move to lift State Street stake could spark industry shake-out

Bank of New York has had a busy year. Its strategy is to build itself into the largest custody and securities processing organisation in the US by acquisition, and in June it bought the custody business of Wells Fargo, the San Francisco-based retail bank.

That deal increased its assets under custody by $75bn, and followed the acquisition of securities processing businesses from J. P. Morgan, NationsBank and BankAmerica. All followed the logic that custody has economies of scale, and it was best to leave rather than to continue with a relatively small business.

Bank of New York has now firmly taken the role of a consolidator in the industry, and securities processing now accounts for about 30 per cent of its profits. With processing centres in the US, London, Brussels and Singapore, it has an easy template for consolidating new custody businesses: processing is handled in the regional centres, while customer servicing – the area where the bank believes it has a competitive advantage – is carried out locally.

But most attention has focused on a deal which may never happen. In the first week of January, the bank announced that it was seeking regulatory approval to increase its stake in Stats Street of Boston from 4.99 per cent to 9.95 per cent. It said this was for "investment purposes only", hnt made no attempt beyond that to calm speculation that it was testing the waters for a potentially hostile hid.

The mere thought this could happen caused sharp movements in both banks' share prices. Such a deal would provoke arguably the biggest reshuffle of the global custody industry, creating an organisation with the potential to dominate the US market.

State Street, to an even greater extent than Bank of New York, has adopted an aggressive strategy of focusing on securities processing and fund management, and now has minimal retail operations. Both banks have more than $3,000bn in assets under custody, putting them in ths top three in the US (with Chase Manhattan).

Since Bank of New York's initial salvo, the affair has taken on a political dimension. The Massachusetts Board of Bank Incorporation ruled in March that the bank could not increase its stake in State Street, a pillar of the Boston financial community, becausa it had "failed to meet its burden to demonstrate that the public convenience and advantage will be promoted" hy ths stock purchase.

Bank of New York immediately launched an appeal, and will contest the decision in the Massachusetts courts – a move suggesting unusual passion for taking an investmsnt stake. It claims it is being discriminated against as a bank from outside Massachusetts, and the case could yet set an important precedent.

In June, it sold a large chunk of its State Street staks, worth about $72m, which led some to speculate that it was giving up.

Others diaagrea. Mr George Salem, a respected hanking analyst with the Wall Street firm of Gerard Klauer Mattison, issued a research note suggesting the bank's move had been misinterpreted. "Some investors have viewed the sale as the beginning of the end of Bank of New York's pursuit of State Street. We vigorously disagree with this conclusion. The sale, in our view, was intended to show government officials, and ths courts, that their holdings of State Street shares are strictly for investment purposes."

Tom Perna: 'general trends' will create more opportunities

Estimating the chances of a Bank of New York-State Street merger by the middle of next year at 70 per cent, with timing largely dictated by the speed of the legal process, Mr Salem said: "We read Bank of New York's managemant's words and body language to state that it plans to continue to fervently seek a combination with State Street."

Even without a takeover, Bank of New York's concentration on custody and similar businesses has made it popular with investors, as its reliance on fees, rather than interest income, insulates it some extent from the economic cycle faced hy competing North American banks.

It is also well positioned to take advantage of any expansions in the global market, as emerging economies develop fund management and pensions industries to safeguard the new wealth created by their workers, and European pension schemes move towards operating on a "funded" basis, investing in equities.

According to Mr Tom Perna, head of custody for the bank: "We see continued expansion by US companies into Europe. And the general trends towards out-sourcing business, particularly from a technology standpoint, are going to create more opportunities for us as a global custodian."

John Authers

SCI in $69m funerals purchase

By Scott Morrison in Vancouver

A further shake-ont in the North American funeral services industry took place yesterday with a deal involving the three dominant operators.

Loewen Group announced it had sold its minority stake in Arbor Memorial Services to arch-rival Service Corp International for US$69m.

SCI, the Honston-hased group that has become the world's higgest funeral operator, already owns 31 per cent of Arbor's ontstanding class A and class B shares.

If regulators approve the deal, SCI would own 59 per cent of Arbor's equity hut would not have voting control, as it would not own enongh class A voting shares.

SCI – which has a reputation as a relentless acquirer – launched a C$3.2bn (US$2.3bn) hostile takeover bid for Loewen seven months ago. However, Mr Ray Loewen, the company's founder, refused to sell and beat off the hid.

Mr Loewen yesterday said he had agreed to sell his company's 28 per cent stake in family-owned Arbor because a minority position was not the most effective use of Loewen's capital at this time. Loewen acquired its stake in 1994.

The controlling shareholders in Arhor, the Scanlan family, have said they want to remain independent. However, SCI said it was acquiring Loewen's stake because it hoped one day to assume control of Arbor.

Loewen also said that despite selling its holdings it remained interested in acquiring control of Arbor if the Scanlan family decided to sell.

SCI owns ahont 3,000 funeral homes, 365 cemeteries and 156 crematoria around the world, while Loewen operates 1,000 funeral homes and 400 cemeteries in North America.

Arbor owns 44 cemeteries, 25 crematoria and has outright ownership of, or interests in, 83 funeral homes.

Loewen reported second-quarter profits of C$26.3m on revenues of C$146.6m, compared with earnings of C$19.5m on revenues of C$133.7m in the same period last year.

Five bids for Guatemala telecoms

By Johanna Tuckman in Guatemala City

Telecoms privatisation in Guatemala moved a step forward this week following the announcement that France Telecom, GTE, MCI, Southwestern Bell and the Mexican company Telmex had all pre-qualified to hid for between 51 per cent and 95 per cent of Guatel, the state-owned operator.

The five groups have been invited to Guatemala to inspect the offer over a one-month period beginning next Monday.

Guatel operates all of Guatemala's 385,000 telephone lines, the vast majority of which are in the metropolitan area. Mr Alfredo Guzman, the company's general manager, estimates that a further 1m potential customers want access to a telephone.

The formalities of prequalification were overseen by the investment bank J. P. Morgan, which was contracted in February to manage the Guatel sale, scheduled to take place in mid-October.

Opposition to the privatisation of the state's most profitable asset has been half-hearted, given the dismal state of the current service and the 5 per cent of shares reserved for Guatel's 5,000-strong workforce.

However, the Constitutional Court has yet to rule on appeals made by the political opposition and the unions against legislation passed earlier this year that paved the way for the sale.

Posco, Dongkuk poised for Hanbo buy

By John Burton in Seoul

Pohang Iron & Steel (Posco) and Dongkuk Steel appear likely to conduct a joint takeover of Hanbo Steel after creditor banks yesterday failed for a third time to auction the bankrupt South Korean steelworks. No bids were submitted for the assets.

The deal would make Posco the world's largest steelmaker. Hanho's steel capacity would help it exceed that of Nippoo Steel. Dongkuk would become the second-biggest steelmaker in Korea.

The latest auction was beld after the banks recently rejected a Won2,000bn ($2.2bn) offer by Posco and Dongkuk Steel to buy Hanbo Steel's assets. The banks said the offer was too low, because the assets were valued at Won4,900bn.

Hanbo collapsed in January as it was unable to service debts from the construction of the steel facility, which is believed to be the sixth biggest in the world.

Acceptance of the proposal by Posco and Dongkuk would result in the banks baving to write off most of the Won6,600hn in outstanding loans to Hanbo.

Shares in Hanbo's creditor banks, including Korea First, Commercial Bank of Korea, Cho Hung and Hanil, fell yesterday on concerns they would bave to assume most of Hanbo'a debts.

Under the proposal, Posco would acquire several unfinished steel mills which use an advanced process known as Corex for an estimated Won700bn. Corex uses scrap metal rather than coal in smelting, which is cheaper and environmentally safer than other processes.

It is expected that Posco would have to spend a further Won2,400bn to complete the mills and bring them into operation. Meanwhila, Dongkuk would take over Hanbo's bot and cold-rolled steel facilities for an estimated Won1,300bn.

However, the final price for the Hanbo steelworks must still be negotiated with the banks. Posco and Dongkuk said their offer was fair if they were to start earning profits from the Hanbo steelworks by 2000.

Standard & Poor's, the US credit rating agency, last waek placed Posco's long-term credit rating of A+ on Creditwatcb with negative implications because of its bid for Hanbo. S&P said the takeover "could add to the company's already aggressive debt usage".

But some analysts questioned the assessment by S&P. "Posco is getting state-of-the-art steel technology at bargain prices that will only improve its efficient and low-cost prodnction base," said Mr Daniel Harwood, north-east Asian regional director for ABN Amro Hoare Govett Asia.

Scant cause for cheer at Yamaichi

Sokaiya affair may leave the securities house vulnerable to takeover, reports Gillian Tett

If Mr Shohei Nozawa, the new president of Yamaichi Securities, bad glanced at the stock market this week, he might have been tempted to feel some cheer.

After the company removed 11 senior directors on Monday, following allegations of an extortion scandal, Yamaichi's share price suddenly perked up, rising 18 per cent in two days.

But if Mr Nozawa, who was appointed as a new "clean hands" candidate, had asked investors tbe reason for the rise, he might have felt less relief.

Although the share movement partly reflected market approval of the reshuffle, it was also triggered by speculation that tha scandal could hit Yamaichi so badly that it might soon be forced into a merger – or even be taken over by a foreign or Japanese bank.

As Mr Robert Garone, at Dresdner Kleinwort Benson, says: "There are some fund managers wbo are now prepared to speculate on the bet of a takeover."

Sucb rumours, while highly speculative, are arguably more startling than the scandal itself, for a merger – let alone a takeover – of a broker as large as Yamaichi was until recently something that investors could barely conceive of in Japan.

That such a development is even being considered shows not only the depth of concern about Yamaichi, but also tbe degree to which investors now believe Japan might be moving into new corporate waters. Yamaichi's scandal potentially marks a new twist in the corporate corruption story which has gripped Japan in the past few months.

The tale atarted in the spring, when Nomura admitted to links witb *sokaiya*, Japan's corporate racketeers. It later emerged that Dal-Ichi Kangyo Bank also had links with *sokaiya*.

Both groups responded – as did Yamaichi – by removing more than a dozen senior directors. However, both also received heavy penalties two weeks ago, whicb have barred Nomura from parts of the domestic market for several months.

Although these are expected to reduce Nomura and DKB's profits by one-third and one-tenth, respectively, this year, both are expected to survive the blow. Nomura is the largest and most profitable Japanese securities bouse, and altbougb DKB faces more competition, it is still ona of tbe biggest banks.

Yamaichi, however, is in a very different position. Although the company was Japan's largest securities bouse until the 1960s, it now trails behind the other three blg brokers, Daiwa, Nikko and Nomura. The group bas some strengths: its underwriting and corporate finance departments are raspected. However, it has fallen into the red in four of tbe past six years, and between April and June this year, the group reported a Y5.4bn ($47m) loss at parent company level.

This week's resbuffle could improve performance. Yamaichi has cut the size of its board hy one-quarter and put retail hrokerage and underwriting experts into important positions in an effort to give it a sharper business edge.

Bnt the looming "Big Bang" financial deregulation will intensify Yamaichi's problems.

Over the next two years, stock-broking commissions will be liberalised, and analysts expect tbis to reduce commissions by 40 per cent and squeeze companies sucb as Yamalchi, wbich rely beavily on these for profits.

As Mr James Fiorillo, of ING Barings, says: "Yamaichi is the sick child of the large brokers. It has major problems."

But It is the extortion scandal that could deal the beaviest blow. At the end of July, tbe company was raided by prosecutors, who allege it provided Y79m of illicit payments to *sokaiya*. Expectations are rising that the government could soon impose a penalty on Yamaichi.

The sanctions could still be light, but if they are similar to Nomura's, they could hit Yamaichi hard – particularly if it is excluded from the underwriting business.

Some damage has already been done. Japanese companies such as Fujikura and Nichirei bave dropped Yamaichi as underwriter, and others may follow.

Moreover, Yamaichi may find it harder than Nomura to win back lost clients, since it has less of a specialist base to offer.

Many observers suspect that Yamaichi's best move would be to seek a merger or takeover. One possibility would be for a Japanese bank to absorb the group. Fuji Bank, for example, has long and close historical links with Yamalchi, and may be keen to acquire a brokerage ahead of Big Bang.

Another posaibility is a link-up with a foreign group, for which a precedent has already been set. Last month, Swiss Bank Corporation formed a ground-breaking alliance with Long-Term Credit Bank that potentially involved SBC purcbasing up to 7 per cent of LTCB.

Rumours have long circulated of an impending tie-op between Yamaichi and a foreign group: Merrill Lynch has been cited as a candidate, though the US investment bank has denied this.

It seems unlikely that any foreign group would want to become too involved with Yamaichi, not least because the extent of its financlal problems remain uncertain. A Japanese tie-up may also be difficult to orcbestrate.

However, the rumours are unlikely to die down quickly. The markets will be watching Mr Nozawa closely in the coming weeks.

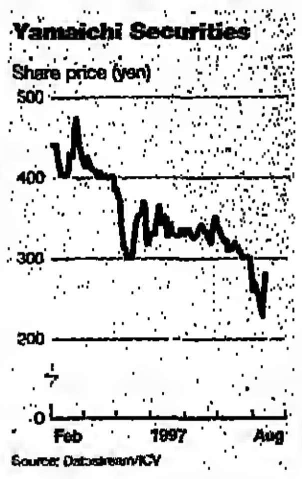
Japanese securities: the big four

Fiscal 1996 parent results

	Revenues		Profits: Operating		Profits: Pre-tax		Profits: Net	
	1996 Y bn	% chg	1996 Y bn	% chg	1996 Y bn	% chg	1996 Y bn	1995 Y bn
Nomura	460.8	-8.6	125.8	-38.8	128.2	-35.7	271.5	523.1
Daiwa	291.5	-3.3	43.8	-29.1	44.3	-29.2	84.0	43.7
Nikko	262.6	-11.2	29.6	-53.0	30.7	-52.7	143.6	23.9
Yamaichi	210.a	-6.0	1.5	-89.1	1.2	-91.9	164.8	15.9

Source: Goldman Sachs

Yamaichi Securities



Source: Datastream/ICV

Higher prices lift LG Chemical

By John Burton

Higher petrochemical prices helped LG Chemical, the South Korean group which also embraces consumer prodncts, report a 12 per cent rise in first-half net profits from Won11.58bn a year ago to Won12.97bn ($14.5m).

Sales climbed 17 per cent to Won2,005bn.

But analysts warned profits could deteriorate in the second half, when demand usually slows.

Petrochemical prices are expected to drop as producers complete maintenance shutdowns and new capacity comes on line, whicb will lead to a glut by the end of 1997. However, full-year earnings are expected to be higber than last year's Won3.3bn.

LG Chemical is to reduce capital expenditure during 1997 and 1998 in response to slnggish petrochemical demand, althongb it is expanding prodnction in Asia, including China, Vietnam, India and Pakistan.

It is also phasing ont unprofitable businesses in the food and consumer prodncts becanse of sevare domestic competition.

The company will concentrate on developing its industrial material and fine chemical businesses, which are expected to enjoy higher profits than petrochemicals and consumer products.

LG Chemical has been a leader in the Korean biotechnology field, and has developed several drugs that have been licensed to Glaxo and SmithKline Beecham.

● Hyundai Electronics Industries, a unit of the Hyundai Group, was hit by a sharp drop in prices for 16-megabit dynamic random access memory chips.

Tbe company, one of Soutb Korea's top three chip-makers, saw net profits decline to Won14.8bn in the first half, from Won73.1bn last time.

Turnover fell from Won1,606bn to Won1,419bn.

Indonesia car project wins $690m loan

By Greg Earl in Jakarta

PT Timor Putra Naslonal, Indonesia's controversial "national" car project, bas secured a $690m lending package from a 16-bank consortium to build its assembly plant, near Jakarta.

Four state-owned banks – Bank Dagang Nagara, Bank Rakyat Indonesia, Bank Expor Impor and Bank Tabungan Nagara – are in the group, but the names of tbe 12 private banks have not been revealed.

BDN had earlier supplied $40m in bridging finance to the $1bn project.

The consortium will provide $650m in loans over 10 years, which is to be overseen by a special government committee.

PT Timor Putra Nasional, is controlled by Mr Hutomo Mandala Putra, the youngest son of Indonesia's President Suharto, and bas been the beneficiary of a series of government preferences to get the car project off tbe ground, despite protests to tbe World Trade Organisation by the US, the European Union and Japan.

Mr Hutomo again denied this week that be had asked for any special lending conditions, and said tbe loan would carry an interest rate of 3 percentage points above the prevailing 3-6 months deposit rate.

The private banks were initially reluctant to join the consortium, but the government made clear tbe car was considered an important national project.

According to Mr Hutomo, tbe production plant will have an annual capacity of 70,000 saloons and utility vehicles.

However, Timor is now projecting annual sales of only about 40,000.

ASIA-PACIFIC NEWS DIGEST

PMP declines 15% in full year

PMP Communications, Australia's second-largest magazine publisher, reported a 15 per cent fall in annual after-tax profits to A$52.5m (US$38.7m). The company blamed unsuccessful launches, a downturn in the retail sector and costs associated with an acquisition. Sales rose 18 per cent to A$1.1bn.

PMP expects improvements in the current year after last year's plant rationalisation and 10 per cent cut in staff. It also expects a "more subdued" magazine launch programme, after four titles launched last year were closed. Although paper prices were steadier during the year, PMP experienced a weak advertising market. Last month Naws Corp, the media group, sold a 40 per cent stake in PMP to institutions. *Elizabeth Robinson, Sydney*

■ SCRAP METAL

Profits down 21% at Simsmetal

Simsmetal, the Australian scrap metal group, yesterday suffered a 21 per cent fall in pre-tax profits to A$57.6m (US$42.5m) in the year to June 30, although sales by volume reached a record 4.7m tonnes, up 19 per cent.

Mr John Crabb, managing director, blamed the profits decline on lower prices for secondary metals and a stronger Australian dollar. . The fourth quarter saw operations performing abova forecasts and the group expected improved profits for the current year. *Elizabeth Robinson*

■ TELECOMMUNICATIONS

Globe lifts network budget

Globe Telecom, a joint venture of Ayala Corp, the Philippines' largest holding company, and Singapore Telecommunications, has lifted the budget for its network expansion this year from 4.7bn pesos to 8bn pesos ($279m).

Mr Gil Genio, Globe senior vice-president, said the increase would allow Globe to bring forward completion of its fixed-line project to end-1997 from its original timetable of mid-1998. The project involves installing 700,000 lines, as required by the government, he added. At the end of July, Globe had installed 190,000 lines, of which 28,000 have been subscribed.

Globe Telecom is to spend another 4bn-5bn pesos in 1998 to expand and upgrade further its mobile and fixed-line networks. *AFX Asia, Manila*

■ SOUTH KOREA

Samsung Heavy in red

Samsung Heavy Industries, the South Korean group, recorded a loss of Won91.2bn ($102m) for the first six months of this year, compared with profits of Won7.4bn last time. The company blamed the result on continuing efforts to restructure by selling or shutting down money-losing sectors. It was also hit by rising financial costs, with dollar-denominated debts increasing as the won fell against the US dollar.

Sales rose from Won1,660bn to Won1,700bn in the period. *John Burton, Seoul*

■ MALAYSIA

Bolton in quarrying buy

Bolton, the Malaysian property developer, is set to buy a 64 per cent stake in Kenneison Brothers, a quarrying and concrete-making company. Bolton said the stake would cost M$182.14m (US$66m) in cash. It would be bought from Lim Thiam Leong. The acquisition would trigger a mandatory general offer for the remaining shares in Kenneison not held by Bolton. Kenneison has a quarry of around 625 acres with deposits expected to last at least 25 years. *Reuter, Kuala Lumpur*

■ CARMAKING

Seoul to help Kia subcontractors

The South Korean government said it would help subcontractors of the troubled Kia car group to obtain more loans from local financial institutions. A state credit guarantee company will guarantee debt payment for a subcontractor up to Won500m, compared with Won200m currently, it said.

Kia was placed under bankruptcy protection by creditor banks last month because of financial troubles caused by sluggish sales. *AP-DJ, Seoul*

Utd Utilities makes pledge on succession

By William Lewis, Investment Correspondent

The board of United Utilities yesterday pledged to take "immediate action" to solve succession issues centring on Sir Desmond Pitcher, executive chairman.

Tha multi-utility, which owns North West Water and Norweb, the electricity company, confirmed it had discussed the views of institutional shareholders about the future of Sir Desmond and Mr Derek Green, chief executive, and would make an announcement in the autumn.

Yesterday's board meeting was called in response to disclosures that leading institutional shareholders wanted Sir Desmond to step down as executive chairman by the end of the year.

Shareholders are worried that the current succession plan would result in Sir Desmond and Mr Green hoth stepping down in 2000 when the water industry'a new price formula takes effect.

Following tbe meeting, United said: "The board is aware of the succession Issues regarding the chairman, Sir Desmond Pitcher, and the chief executive, Mr Derek Green, and is taking immediate action to resolve the postion."

The company refused to make any further puhlic comments.

Shareholders welcomed the announcement. Mr Guy Jubb of Standard Life, an institutional investor, said: "We welcome the commitment to take immediate action. We believe the board should have breathing space to work out a solution. I am happy to respect the board's judgment in light of it knowing the views of shareholders."

Shareholders are also concerned by a long-running row at United which worsened last week when it emerged tbat Sir Peter Middleton, a non-executive director, had been canvassing opinion in the City about Sir Desmond's role.

At the meeting directors recaived reports from Sir Peter and Mrs Jane Newell, another non-executive who bas also been canvassing views of institutional investors. Over the weekend some directors and shareholders said they wanted United to re-examine last month's departure of Mr Brian Staples, who resigned as chief executive after apparently losing tbe board's confidence.

However United's statement said that "with regard to Mr Brian Staples, the Board was – and remains – in full support of the action taken. Tbe directors affirmed tbat they are wholly unanimous in their approach to all these matters."

Sir Desmond was said last night to be delighted at the outcome.

Lex, Page 12

Sedgwick denies talk of merger with Willis

By Christopher Adams, Insurance Correspondent

Sedgwick, the insurance hroker, indicated yesterday that a merger with UK-based rival Willis Corroon was unlikely, saying the two companies were heading in different directions.

Speculation abont the future of Sedgwick and Willis has intensified following a rush of mergers and acquisitions in commercial insurance hroking.

However, Mr Sax Riley, Sedgwick's chairman, reporting a 4 per cent increase in interim profits, played down the possihility of a merger. He said of Willis: "Their strategy is quite decided. They're not interested in consolidation. You have a company here that's run a different way."

The recent strength of sterling wiped £7m ($11.4m) from first-half pre-tax profits, which rose from £64.1m to £66.5m. It would probably reduce the full-year result by £9m, the company said.

At constant exchange rates, pre-tax profits rose 16 per cent.

Mr Riley said the group would continue to diversify away from traditional areas of pure insurance hroking, where growth has heen slowed by increasing competition.

It is concentrating on developing a fee-based consultancy arm and building a presence in emerging markets, such as Latin America.

Brokerage from insurance and reinsurance rose only 2 per cent at constant rates to £336.2m, beld in check hy a tough UK retail market and falling premium rates in marine and aviation.

By contrast, Sedgwick Noble Lowndes, the employee benefits business, lifted revenues 12 per cent to £113.8m.

Sedgwick bas finalised plans for a joint venture with Nikols Brichetto, Italy's leading insurance broker.

Mr Riley said further deals could follow, but that the group preferrad to have a controlling stake.

Singled out by the government for failing to make adequate progress in reviewing its pensions mis-selling cases, the group added that it was committed to resolving this problem by the end of the year.

However, it declined to say what provisions it has made for compensation.

European budget cuts and currency effects mar result

Smith & Nephew falls to £81m

By Roger Taylor

Smith & Nephew, the UK's leading medical devices company, said interim profits had been hit by European governments cutting bealthcare budgets in an effort to meet the criteria for European Monetary Union.

Sales in Europe fell from £131m to £112m ($182.6m). Excluding currency effects, prices were down 1 per cent and sales were flat compared with a 9 per cent increase last year.

The company contrasted the situation with the US, where, after a long period of price pressures, the situation was beginning to stabilise.

US sales for the half-year to June 28 rose marginally from £223m to £226m and were up by 7 per cent excluding the impact of currency.

The strength of sterling was the main reason for a drop in pre-tax profits to £81.1m (£91.9m) on turnover down 3 per cent to £525m (£540m). Mr John Robinson, chairman, said that the underlying performance was good. Excluding currency effects and one-off costs relating to the launch of Dermagraft, a new wound-care product, underlying profits rose to £94m.

Dermagraft, a form of artificial buman skin used to treat foot ulcers cost £2m in the first half and would cost a further £4m in the secood half.

The product is expected to ba one of S&N's msin sources of growth, however, it is not expected to start contributing much to profits until 1999. Analysts bave forecast peak sales of £300m in five years time.

Tbe dividend was increased 5 per cent to 2.4p and will be paid as a foreign income dividend, saving the company about £6m in advance corporatioo tax and reducing tbe effective tax rate fall from 32 per cent to 26 per cent.

Earnings per share fell by 5 per ceot to 5.42p (5.68p).

Analysts are forecasting flat earnings of 10.2p for this year and 10.9p for next, compared with 10.92p last year. That puts the shares on a rating of 17 times for 1997, in line with the market.

The shares closed up 1p at 175½p.

Ashley Ashwood

John Rohinsoo, chairman (right), with Chris O'Dounell, chief executive

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BOC	9 mths to June 30	2,918	(2,993)	325.4	(327.3)	42.73	(42.17)	-	-	-	-	27
Celtic ϕ	Yr to June 30	22.2	(16)	5.15	(1.01L♠)	1,593	(349L)	-	-	-	-	-
City Centre Rest	6 mths to June 30	74.9	(60.9)	6.75♥	(6.41♥)	2.58	(2.48)	0.45	Oct 14	0.45	-	2.5
Colt Telecom	6 mths to June 30	33.5	(11.6)	14.7L	(5.29L)	0.13L†	(0.07L)	-	-	-	-	-
Easynet ϕ	6 mths to June 30	2.48	(0.627)	0.724L♥	(0.244L)	3.97L†	(1.88L)	-	-	-	-	-
Epwin	6 mths to June 28	43.6	(34.3)	2.32	(2.02)	6.9	(6)	3.15	Oct 13	2.9	-	8
General Accident	6 mths to June 30	3,166□	(3,083□)	580	(335)	84.9	(47)	12.5	Jan 2	11.4	-	34.25
Glynwed Intl	6 mths to June 28	632	(677.3)	43.9	(40.2)	12.19	(10.99)	4.4	Dec 3	4.4	-	12.75
Halliday Chemicals	6 mths to June 30	87.3	(85.5)	13.4	(8.14)	8.8	(5.4)	2.5	Oct 1	2.1	-	5.25
Morgan Sindall	6 mths to June 30	161.9	(112.7)	3.28	(2.22)	7.12	(5.52)	1.67	Oct 1	1.35	-	4.2
Pacer Infotec $	6 mths to June 30	26.9	(12.9)	0.662	(0.6)	4	(7)	3☆	Dec 15	3☆	-	6.5☆
Sedgwick	6 mths to June 30	485	(490.2)	66.5	(64.1)	8.4	(7.8)	3✣	Oct 20	3.75✣	-	7.25✣✣
Smith & Nephew $	6 mths to June 28	524.8	(540.4)	81.1	(91.9)	5.42	(5.68)	2.4✣	Dec 10	2.29	-	6
VDC ϕ	Yr to May 31	77.2	(62.9)	1.67	(1.65)	10.75†	(15.62)	3.825	Oct 10	3.825	5.2	5.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
City Merchants	6 mths to June 30	159.55	(158.83♦)	1.7	(1.49)	6.35	(5.57)	2.5‡	Oct 7	2.375	-	10
Mercury Grosvenor	6 mths to June 30	247.67	(213.94)	0.807	(0.757)	3.11	(2.92)	-	-	-	-	4.5
SR Pan-European	6 mths to June 30★	62	(47.6)	0.308	(0.161)	1.54	(0.8)	0.25	Nov 20	0.25	-	0.75

Earnings shown basic. Dividends shown net except ☆Gross. Figures in brackets are for corresponding period. ϕAim stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. □Total premium income. ✣Foreign income dividend. ✣✣Includes FID element. ♦At December 31. ‡Second interim; makes 5p to date. ★Comparatives restated. $US currency.

Glynwed plans to reshape with buys

By Richard Wolffe, Midlands Correspondent

Glynwed International is to seek acquisitions worth up to £100m ($163m) as part of an aggressive strategy to resbape tbe engineering gronp.

The Midlands-based company, wbose interests range from Aga cookers to plastic pipes and steel tubes, indicated yesterday it wonld seek to invest in its consumer prodncts and pipe systems divisions.

The shift in strategy comes as a new chief executive – Mr Tony Wilson, currently the finance director – prepares to take over next May. Glynwed is also seeking a new chairman.

Mr Wilson said Glynwed's attitude to its cyclical businesses, particularly metal distribution, was no longer favourable. But Mr Wilson suggested metal distrihution, whicb represents 20 per cent of group sales, would not he sold in the short term.

Instead, Glynwed is to build its operations in catering equipment, aimed at fast-food restaurants, by acquiring a manufacturing base in the US.

The group is also planning to expand its pipe systems business with wider distribntion on the eastern coast of the US, as well as emerging markets in sonth America and the Asia-Pacific region.

Annoucing the gronp's results at tbe half-year stage, Mr Wilson said: "The group has had a solid first half and our strategy of focusing on a mnch smaller number of businesses with international growth prospects is the right one."

In the six months to June 28 pre-tax profits beat City expectations to rise by 9 per cent to £43.9m, while sales declined 7 per cent to £632m. The strong pound rednced pre-tax profits by an estimated £4m.

EasyJet row over Luton Airport

By Charis Gresser

A row bas erupted between the local anthority whicb owns London Lnton Airport and its most important customer, low-cost airline EasyJet.

Lnton Borongh Council has rejected EasyJet's proposal to run the airport in return for a capital investment. The airline is now considering shifting some of its operations to Liverpool, hlaming capacity constraints at Lnton.

Lnton Borongh Council, whicb is seeking £170m ($277m) of development capital in exchange for granting a concession to run the airport, has said it did not tbink it "appropriate" to select a commercial partner "with links to any airline operating at the airport".

EasyJet founder Mr Stelios Haji-Ioannon said he was "very, very serions" abont turning Liverpool into a "second bnb". He said be bad already secured a deal on landing fees there, which were half the cost of landing at Luton. The first flights conld be scheduled in November nr December.

Luton carried 2.6m passengers in 1996-97, of whicb abont half were EasyJet customers. Tbe conncil is looking for a capital injection over 10 years, whicb wonld enable the airport to handie 8.5m passengers.

If the council maintained its position, Mr Haji-Ioannon said he would not rnle out a legal challenge.

INTERNATIONAL CAPITAL MARKETS

Gilts shrug off inflation data

GOVERNMENT BONDS

By Krishna Guha in London and John Labate in New Ynrk

A rally in US Treasuries and continued strength in German bunds pushed European markets bigber, on a day wben gilts outsbone tbe competition in spite of poor headline inflation figures.

GERMAN BUNDS rose on relief that the Bundesbank bad not decided to raise interest rates or introduce a variable repo rate at its weekly repo meeting. Tbe September futures contract rose 32 basis points to settle at 102.22 in London.

The market was clearly relieved. Tbe consensus assumption tbat recent D-Mark strength ruled out an immediate repo rise was vindicated, at least temporarily. The D-Mark remained stable against the dollar in the currency markets.

But analysts said tbe debate over repo moves bad "not gone away". Attention has shifted to next Thursday's Bundesbank council meeting, and continued uncertainty is likely to limit gains in bunds.

Mr Mark Cliffe, chief international economist at HSBC markets, said the dollar "looks as if it may be preparing for another surge". Furtber dollar strength would increase pressure on the Bundesbank.

However, bigh German unemployment, and the lack of domestic inflationary pressures made a sustained rise in interest rates unlikely, be said.

UK GILTS were buoyant, shrugging off worse than expected retail price index figures, and taking their cue from strong Treasuries. The September futures contract closed up ½ at 114¾.

The beadline rate of inflation in the year to July was above consensus forecasts at 3.3 per cent, as was tbe underlying rate at 3.0 per cent. But analysts pointed out that RPI(Y), which strips out tbe Budget petrol tax rise and mortgage payments, was unchanged.

Analysts said the market was waiting for today's Bank of England inflation report, which along with figures on johs and earnings, wonld provide better indicators of inflationary pressures.

Gilt yields tightened from 152 points over 10-year German bunds to 149 points in late trading. The yield on benchmark 10-year gilts fell to 7.16 per cent.

FRENCH BONDS shared the relief at the lack of a Bundesbank repo rise. The September fntures contract closed up 28 at 129.62. Analysts said core Europe remained vulnerable to D-Mark weakness, and would watch this week's US data carefully.

ITALIAN BONDS rose sbarply, the September futures contract closing up 66 at 136.20. The market is divided on whether Italy would suffer worst from a rise in German rates (whicb might question its participation in the launch of monetary unlon), but agrees that no rate rise is good news.

US TREASURIES moved higher yesterday morning, pushing the yield on the long bond closer to 6.5 per cent. By early afternoon the bellwether 30-year Treasury bad risen $\frac{18}{32}$ to 97$\frac{1}{16}$, yielding 6.596 per cent, the two-year note was up $\frac{1}{32}$ to 99$\frac{27}{32}$, yielding 5.942 per cent, and the 10-year note was $\frac{3}{8}$ higher at 98$\frac{27}{32}$, yielding 6.317 per cent.

Prices moved higher soon after a mid-morning report on productivity, but traders said that had little lasting impact. Unit labour costs for the second quarter of the year were reported to have fallen at a 0.4 per cent annual rate, after a 1.8 per cent rise in the first quarter.

Traders said other technical factors, triggered by a partial recovery from last week's sharp sell-off and anticipation of forthcoming economic reports, had more to do with the rise in prices.

"Producer price index, retail sales, and consumer price index are the most important numbers of tha week," said Mr Richard Gilhooly, international bond strategist at Parlbas Capital Markets in New York.

Although prices had risen in the morning, Mr Gilhooly saw no aggressive buying in the Treasury market.

Moody's positive on Egypt outlook

By Edward Luce

Moody's Investors Service, the international credit rating agency, yesterday placed Egypt's sovereign credit rating on positive outlook, citing the country's improving economic fundamentals.

The decision, which indicates the likelihnod nf an upgrade in the near future, follnws controversy earlier tbls year when Moody's awarded Egypt a "speculative grade" credit rating.

The unsolicited rating was reported to have unsettled officials in the Egyptian government, which invited Standard & Poor's to provide its nwn assessment. S&P awarded Egypt an investment grade rating.

Moody's, wbich rated Egypt Ba2, twn nntches belnw investment grade, praised Egypt's macroeconomic stabilisation and privatisation programme.

However, the country, whicb intends to make its debnt in the international bond markets later this year with np to $1bn in funding, was still suffering from a lnw dnmestic savings rate and weak growth in non-oil exports, the agency added.

Tbe controversy over Egypt's credit rating earlier this year highlighted the fact that the rating business is dominated by the two New York-based groups.

In a sign of growing competitiveness, London-based agency IBCA, and New York-based Fitch said this week they were in talks on a possible merger. However, neither has the network of analysts and internatinnal offices needed to challenge the big two in tba near future.

CAPITAL MARKETS NEWS DIGEST

Euroclear warns on Emu disruption

Euroclear, Europe's largest securities clearing house, said there had been little progress towards consensus on the redenomination of securities in advance of the planned European monetary union – in spite of the fact that there were only 500 days remaining before its launch.

It warned of "serious market disruption" to securities trading in Europe at the start of 1999 if the euro is introduced as planned, unless serious progress had been made. This could affect 1,400 government securities in Europe.

"Despite various calls by financial intermediaries and industry bodies to achieve harmonisation of securities redenomination methods, recent decisions taken in some European markets show progress is unlikely," it said.

Euroclear also announced that Morgan Guaranty Brussels, which is the operator of the Euroclear system, would produce suggestions to standardise the diversity of redenomination methods that have been put forward. This would help "minimise confusion and disorder", said Mr Luc Bomans, general manager of Euroclear Operations.

Edward Luce

■ SINGLE CURRENCY

Fund managers expect 'soft' euro

European fund managers are increasing the proportion of cash in their portfolios, in the expectation that the planned single currency, the euro, will be "soft". In a Gallup poll of 70 institutions managing $653bn in assets, more than 70 per cent said the euro would be softer than the D-Mark, and two-thirds expected Italy and Spain to participate in European monetary union from the start.

The poll, for Merrill Lynch and French financial newspaper La Tribune, also showed almost two-thirds of respondents expected Germany to tolerate a softening of the convergence criteria in the Maastricht treaty.

More than half said the importance of microeconomic analysis had increased, while macroeconomics were favoured by 37 per cent. Fund managers also said they were very attentive to the Bundesbank's reaction to the dollar's rise against tha D-Mark. *Samer Iskandar, Paris*

■ EMERGING MARKETS

Corruption survey 'subjective'

Merchant International Group, a London-based emerging markets specialist, yesterday criticised a Transparency International survey on corruption as "subjective". Tha annual survey, the corruption perception index, which ranks emerging markets according to levels of corruption had "failed to distinguish between the type and scale of corruption in each country", said Merchant. This "can vary enormously from *baksheesh* in India to the patronage of [President] Suharto in Indonesia", it said.

Merchant, which also assigns sovereign and corporate credit ratings, dismissed such "opinion-poll" surveys as misleading. *Edward Luce*

Asset-backed deals top $3bn

INTERNATIONAL BONDS

By Vincent Boland

A rush of asset-backed deals from tbe US late yesterday enlivened an otherwise quiet day for new issues.

Some $3bn of fixed-rate bonds bad emerged by late in the session, with bankers saying tbe total would reacb more than $5bn overall.

The impetus for the surge in activity was said to be an opportunity to switcb from fixed-rate to floating-rate paper to take advantage of a widening of swap spreads.

"Witb swap spreads as wide as tbey are, tbere is the opportunity to swap from fixed to floating and find some arbitrage there," one banker said.

Topping the list was a $1.4bn bond backed by credit card receivables for FIRST USA MCCT, a credit card issuer, led by J.P. Morgan. Goldman Sachs brought out a $637.5m issue for MBNA MCCT, anotber credit card issuer, while Bear Stearns led a $920m bond for PREMIER AUTO TRUST.

Earlier in London, BANK OF IRELAND, the country's second biggest bank, issued its first dollar-denominated subordinated issue, a $150m 10-year bond callable after five years.

J.P. Morgan and Salomon Brothers led what one official described as "a fairly botly-contested deal".

There was good interest from what the official said were "traditional lower-tier 2 buyers" in Europe for tbe paper, which carries a coupon of Libor plus 25 basis points for tbe first five years and Libor plus 75 points after that.

NATIONAL WESTMINSTER BANK made an unusual foray into the sterling market with an issue of £300m of 18-year subordinated notes.

Tbe 18-year maturity "gives an opportunity to enliven an area of the sterling market that basn't seen much issuance – it gives us a clear run," said a syndicate official at NatWest Capital Markets, which lead-managed the issue. Merrill Lynch was co-lead manager.

The notes were priced to yield 82 basis points over the 8 per cent gilt of 2015, for which it providas "a very clear benchmark", the official said. They will pay interest at a fixed rate of 7.875 per cent yearly and will qualify as lower tier 2 capital.

SIGMA FINANCE CORP, a Grand Cayman-registered vehicle owned by a group of institutional investors, tapped the Swiss franc market with a SFr100m eurobond in a transaction under its medium-term notes programme. The bond carries an annual coupon of 2 per cent.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
MBNA MCCT 2, 97-1(a)*	637.5	(a1.f)	(a)R	Aug 2004	-	+35(7¼Aug04)	Goldman Sachs & Co
Banque Paribas(b)‡	250	(b1.a)	99.979R	Jul 2002	0.15R	-	Paribas
Bank of Ireland(c)	150	(c1)	99.945R	Sep 2007	0.40R	-	JP Morgan/Salomon Bros
Südwest LB Capital Mkts(d)	125	(d1)	100.075R	Jul 2007	0.325R	+142(5⅞%-99)	Barclays de Zoete Wedd
Federal Home Loan Banks(e)	50	6.68#	100.00R	Aug 2002	0.20R	-	Paribas
■ STERLING							
National Westminster Bank	300	7.875	99.936R	Sep 2015	0.625R	+82(8%-15)	NatWest Markets
■ SWISS FRANCS							
Sigma Finance Corp(a)	100	2.00	100.30	Dec 2000	1.50	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Master Credit Card Trust. 5% clean-up call. Legal maturity: Jan 07. Monthly coupons. a1) Priced later. a2) Class B: 56.25m. b) Fungible with $1bn. No accrued. b1) 3-mth Libor +⅛%. c) Callable from Sep 02 at par. c1) 3-mth Libor +25bp to Sep 02, then +75bp. d) Callable on coupon dates from 10/9/99 at par. d1) 7½% to 10/9/99, then 7¼%. e) $200m launched on Monday increased to $250m. Callable on coupon dates from 20/8/99 at par. f) Long 1st coupon. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	123.6965	-0.420	6.74	6.47	8.93
Austria		5.625	07/07	99.2900	+0.240	5.72	5.77	5.76
Belgium		6.250	03/07	103.5800	+0.200	5.75	5.80	5.66
Canada *		7.250	06/07	109.1200	+0.490	6.00	6.94	6.09
Denmark		7.000	06/07	105.4300	+0.110	6.26	6.27	6.20
France	BTAN	4.750	03/02	99.9730	-	4.75	4.84	4.49
	OAT	5.500	10/07	99.3300	-0.160	5.58	5.65	5.55
Germany Bund		6.000	07/07	102.4800	+0.240	5.66	5.71	5.61
Ireland		6.000	08/06	110.6000	+0.210	6.41	6.47	6.39
Italy		6.750	02/07	101.6500	+0.360	8.51†	6.67	8.55
Japan	No 148	5.600	06/02	119.6405	-0.060	1.40	1.42	1.61
	No 182	3.000	06/05	106.4380	-0.230	2.13	2.12	2.30
Netherlands		5.750	02/07	101.0000	+0.250	5.61	5.65	5.49
Portugal		9.500	02/06	120.8300	+0.130	6.26	6.30	6.19
Spain		7.350	03/07	107.4300	+0.430	8.28	6.39	6.26
Sweden		8.000	08/07	110.5528	+0.310	8.53	6.57	6.51
UK Gilts		7.000	06/02	99-30	+4/32	7.01	7.10	7.13
		7.250	12/07	101-17	+14/32	7.04	7.09	7.05
		9.000	10/08	114-25	+16/32	7.07	7.12	7.08
US Treasury *		6.125	08/07	98-17	+12/32	6.33	6.22	6.28
		6.375	08/27	97-02	+22/32	6.60	6.49	5.60
ECU (French Govt)		5.500	04/07	96.7700	+0.200	5.94	6.00	5.79

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

		One month	-	Two year	5.96
Prime rate	8½	Two month	-	Three year	6.10
Broker loan rate	7¼	Three month	5.31	Five year	6.18
Fed.funds	5⅞	Six month	5.45	10-year	6.33
Fed.funds at intervention	-	One year	5.60	30-year	6.61

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.42	129.52	+0.28	129.78	129.38	101,415	171,899
Dec	98.38	98.58	+0.30	98.38	98.38	1,559	11,784
Mar	97.78	97.98	+0.30	97.78	97.78	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
127	2.63	-	-	0.06	-	-
128	1.70	-	-	0.27	-	-
129	0.89	-	-	0.71	-	-
130	0.33	-	-	1.46	-	-
131	0.08	-	-	2.39	-	-

Est. vol. total, Calls 7,084 Puts 6,430. Previous day's open int., Calls 66,179 Puts 121,280.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.85	102.22	+0.32	102.34	101.92	159998	262931
Dec	101.12	101.39	+0.32	101.47	101.12	1416	18410

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
10200	0.46	0.44	0.67	0.84	0.24	1.05	1.28	1.45
10250	0.20	0.28	0.48	0.64	0.48	1.39	1.59	1.75
10300	0.07	0.16	0.34	0.47	0.85	1.77	1.95	2.08

Est. vol. total, Calls 21682 Puts 23078. Previous day's open int., Calls 184105 Puts 281126

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.63	136.20	+0.66	136.38	135.60	48899	98563
Dec	108.14	108.32	+0.54	108.25	108.14	101	5193

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		28.32		0
8050		27.82		0
8100		27.32		0

Est. vol. total, Calls 2972 Puts 3069. Previous day's open int., Calls 104986 Puts 135698

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.77	117.09	+0.44	117.24	116.74	71,866	66,280
Dec	-	100.97	-	-	-	-	1,289

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-11	114-24	+0-16	114-28	114-09	54700	175124
Dec	113-31	114-11	+0-16	114-08	113-31	70	9986

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
114	0-63	1-14	1-35	1-52	0-15	0-58	1-13	1-30
115	0-25	0-47	1-04	1-19	0-41	1-25	1-46	1-61
116	0-08	0-27	0-45	0-58	1-24	2-05	2-23	2-36

Est. vol. total, Calls 1745 Puts 9960. Previous day's open int., Calls 50219 Puts 46509

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.52	96.80	+0.36	96.82	96.50	418	5,906

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	112-28	113-06	+0-16	113-05	112-22	340,100	544,789
Dec	112-16	112-20	+0-10	112-25	112-11	6,186	58,608
Mar	-	112-06	-	-	-	713	32,024

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	126.46			126.46	126.35	3154	na
Dec	125.83			125.83	125.73	1648	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Aug 12	Day's change %	Mon Aug 11	Accrued interest	xd adj. ytd		Low coupon yield Aug 12	Aug 11	Yr. ago	Medium coupon yield Aug 12	Aug 11	Yr. ago	High coupon yield Aug 12	Aug 11	Yr. ago
1 Up to 5 years (19)	119.94	0.08	119.85	2.65	6.38	5 yrs	7.03	7.07	7.17	7.10	7.12	7.23	7.15	7.18	7.31
2 5-15 years (21)	153.01	0.34	152.49	2.62	7.01	15 yrs	7.02	7.07	8.00	7.06	7.12	8.01	7.12	7.18	8.08
3 Over 15 years (5)	182.92	0.66	191.72	7.76	6.80	20 yrs	7.02	7.07	8.09	7.04	7.12	8.09	7.12	7.18	8.14
4 Irredeemables (4)	212.01	0.57	210.80	2.56	8.36	Irred.†	7.12	7.17	8.12						
5 All stocks (49)	147.84	0.31	147.19	3.51	8.70										

Index-linked							Inflation 5% Aug 12	Aug 11	Yr. ago	Inflation 10% Aug 12	Aug 11	Yr. ago
6 Up to 5 years (2)	206.76	0.12	208.52	2.22	3.08	Up to 5 yrs	3.58	3.69	2.55	2.82	3.05	1.03
7 Over 5 years (10)	200.11	0.54	199.02	0.82	4.33	Over 5 yrs	3.54	3.81	3.71	3.31	3.41	3.51
8 All stocks (12)	199.72	0.49	198.73	0.97	4.18							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 12	Aug 11	Aug 8	Aug 7	Aug 6	Yr ago	High*	Low*
Govt. Secs. (UK)	98.73	98.50	98.50	97.10	98.84	93.66	97.68	93.31
Fixed interest	126.39	125.22	125.30	125.63	125.35	113.59	126.68	115.32

Gilt Edged Activity Indices

	Aug 11	Aug 8	Aug 7	Aug 6	Aug 5
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

Shorts" (Lives up to Five Years)

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 12

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 6½ 03	1000	100	100¼		6.49
Spain 7¼ 03	4000	110¼	110⅜	+⅛	5.08
Volkswagen Intl Fin 7 03	1000	108	108¼	+⅛	5.35
Abbey Natl Treasury 8 03 £	1000	102	102¼	+⅛	7.54
British Land 8⅞ 23 £	150	106⅞	107⅜	+½	8.40

SWISS FRANC STRAIGHTS

YEN STRAIGHTS

OTHER STRAIGHTS

DEUTSCHE MARK STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

CURRENCIES AND MONEY

Bundesbank gives only brief respite

MARKETS REPORT

By Simon Kuper

The dollar rose against the D-Mark yesterday after the Bundesbank announced another fixed rate repo tender. The bank had hinted for weeks that it might move to a variable rate tender. That would probably have pushed up German interest rates, thus boosting the D-Mark.

But the market's relief yesterday was limited, as the Bundesbank fixed the tender for only another week. That kept alive fears that the bank might switch to a variable tender later. On August 21 the Bundesbank council meets again after its four-week summer break. Mr Michael Lewis, senior economist at Deutsche Morgan Grenfell in London, said: "The markets will continue to focus on the German repo this month."

The dollar gained 0.8 pfennigs to close in London yesterday at DM1.862 to the D-Mark. It firmed Y0.3 against the yen to Y116.0.

Trading was again quiet. Few interbank dealers were willing to take speculative positions on currencies, because in a thin market a single corporate order can move an exchange rate sharply. Mr Paul Lambert, senior currency economist at UBS in London, said: "The markets aren't being driven by economic fundamentals. They are being driven by orders."

UK retail price figures for July had little impact on the market, because the data seemed to contain mixed messages. The headline rate hit a two-year high of 3.3 per cent, but that was mainly due to one-off effects such as rises in petrol taxes and mortgage rates. Underlying service sector inflation seemed mild. In late trading yesterday the pound was 1.25 cents down against the dollar at $1.5785, and 0.3 pfennigs softer against the D-Mark at DM2.9471.

■ The Bank of Canada yesterday forecast that the Canadian dollar would rise, and suggested that interest rates would too.

Its Summer Review predicted economic growth at an average rate of 4 per cent for the rest of this year, and said: "Canada's strong underlying economic fundamentals continue to support market expectations that the Canadian dollar will appreciate over time."

It said that excess capacity in the economy was shrinking. Therefore, "the Bank will need to promote less accommodative monetary conditions in order to preserve a durable, non-inflationary expansion". However, it suggested that no interest rate rise would be required any time soon. There would still be "an appreciable margin of slack" in the economy this year and next, the Bank said.

The Canadian dollar firmed fractionally to C$1.3927 against the US dollar after the Summer Review appeared.

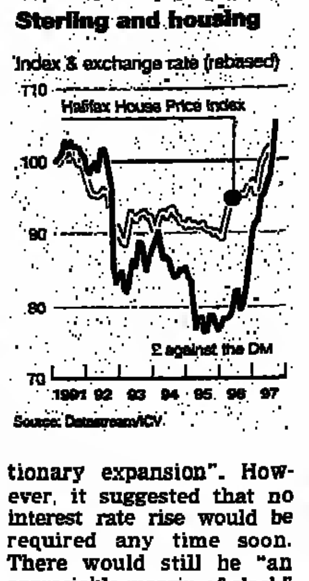
■ Conversely, the Australian dollar fell after Mr Ian Macfarlane, governor of the Royal Bank of Australia, suggested that the country's interest rates could remain low for some time. He said the Australian economy could grow at 4.5 per cent or more for the next few years without stoking inflation. Lower rates directly helped Australian companies, he said. The bank's official cash rate has fallen 2.5 percentage points over the last 12 months to 5 per cent, and is now lower than the US Federal Funds rate. The Aussie dollar softened slightly to $0.7376/81 against the US dollar after Mr Macfarlane spoke.

■ ABN-Amro has discovered a new predictor of the pound/D-Mark rate: UK house prices. The chart accompanying this column shows that when house prices have risen in the 1990s, the pound has too. When they fall, it falls. Yet most economists now believe that whereas UK house prices will keep climbing, the pound will fall further.

Mr Tony Norfield, treasury economist at ABN-Amro in London, says technical factors bode ill for the pound. Four times during its rise of the last year, it has fallen by 11 to 12 pfennigs against the D-Mark. Each time it quickly made up the losses. At the start of August, however, it dropped 15 pfennigs against the D-Mark, briefly falling below DM2.92. It then bounced only modestly. The larger-than-usual fall and the absence of the usual recovery suggest that the pound's run is nearly over, Mr Norfield says.

Sterling and housing

Index & exchange rate (rebased)



Source: Datastream/ICV

■ **Pound in New York**

Aug 12	--Latest--	-- Prev. close --
£ spot	1.5790	1.5900
1 mth	1.5770	1.5879
3 mth	1.5733	1.5853
1 yr	1.5588	1.5902

■ **OTHER CURRENCIES**

Aug 12	£	$
Czech Rp	53.8140 - 53.9144	34.1070 - 34.1490
Hungary	314.108 - 314.386	199.080 - 199.130
Iran	4736.40 - 4733.40	3000.00 - 3000.00
Kuwait	0.4817 - 0.4822	0.3053 - 0.3054
Poland	5.5144 - 5.5290	3.4950 - 3.5020
Russia	9157.55 - 9168.09	5804.00 - 5807.00
U.A.E.	5.7946 - 5.7936	3.6726 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Aug 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6836	-0.0721	720 - 952	20.8861	20.6409	20.6292	3.2	20.5165	3.2	20.011	3.3	101.7
Belgium	(BFr)	60.6872	-0.2685	285 - 459	61.3780	60.4200	60.5072	3.8	60.1372	3.8	58.3872	3.8	101.0
Denmark	(DKr)	11.1993	-0.0402	882 - 984	11.3170	11.1726	11.1618	3.4	11.0978	3.4	10.8063	3.5	103.1
Finland	(FM)	8.7896	+0.0142	844 - 947	8.8820	8.7690	8.7643	3.5	8.7118	3.5	8.4991	3.3	80.5
France	(FFr)	9.9102	-0.0265	054 - 149	10.0074	9.8854	9.8772	4.0	9.8202	3.6	9.5447	3.7	103.5
Germany	(DM)	2.9395	-0.0102	379 - 410	2.9738	2.9328	2.9301	3.8	2.9111	3.9	2.8242	3.9	101.5
Greece	(Dr)	459.664	-1.727	440 - 889	465.068	458.626	461.447	-4.7	464.071	-3.8	472.439	-2.8	65.1
Ireland	(I£)	1.1037	-0.0023	014 - 060	1.1101	1.1014	1.1032	0.5	1.1018	0.7	1.0909	1.2	98.3
Italy	(L)	2869.05	-8.96	753 - 057	2898.93	2861.32	2869.13	0.0	2869.1	0.0	2866.5	0.1	75.5
Luxembourg	(LFr)	60.6872	-0.2685	285 - 459	61.3780	60.4200	60.5072	3.8	60.1372	3.8	58.3872	3.8	101.0
Netherlands	(Fl)	3.3113	-0.0121	098 - 128	3.3492	3.3050	3.3011	3.7	3.2802	3.8	3.1842	3.8	100.3
Norway	(NKr)	12.0930	-0.0394	864 - 996	12.2327	12.0802	12.0605	3.2	11.9895	3.1	11.7305	3.0	96.4
Portugal	(Es)	297.368	-1.047	194 - 541	300.682	296.797	297.212	0.8	296.682	0.8	292.584	1.8	91.9
Spain	(Pta)	248.038	-1.01	936 - 140	250.840	247.810	247.723	1.5	246.973	1.7	242.603	2.2	76.3
Sweden	(SKr)	12.6407	-0.0483	308 - 506	12.7655	12.8184	12.6132	2.6	12.5547	2.7	12.2982	2.7	85.7
Switzerland	(SFr)	2.4079	-0.0137	066 - 092	2.4333	2.4018	2.397	5.5	2.3744	5.6	2.2742	5.6	105.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.7
Ecu	-	1.4944	-0.0044	929 - 959	1.5082	1.4906	1.4911	2.6	1.4839	2.8	1.4499	3.0	-
SDR†	-	1.17720	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5780	+0.0124	775 - 785	1.5927	1.5733	-	-	-	-	-	-	-
Brazil	(R$)	1.7135	-0.013	127 - 143	1.7287	1.7085	-	-	-	-	-	-	-
Canada	(C$)	2.1988	+0.0176	977 - 999	2.2189	2.1925	2.1918	3.7	2.1783	3.7	2.1274	3.2	84.5
Mexico	(New Peso)	12.2818	-0.133	737 - 894	12.4174	12.2489	-	-	-	-	-	-	-
USA	($)	1.5783	+0.0124	778 - 788	1.5930	1.5736	1.5764	1.4	1.5726	1.5	1.5565	1.4	106.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1379	-0.0188	365 - 393	2.1580	2.1314	2.1343	2.0	2.1259	2.3	2.089	2.3	93.3
Hong Kong	(HK$)	12.2224	-0.0936	177 - 270	12.3330	12.1867	12.2214	0.1	12.2148	0.2	12.1599	0.5	-
India	(Rs)	56.3453	-0.4507	801 - 105	56.7900	56.2250	56.5405	-4.2	56.9411	-4.2	58.6208	-4.0	-
Israel	(Shk)	5.5828	-0.0329	733 - 923	5.6249	5.5725	-	-	-	-	-	-	-
Japan	(Y)	183.004	-1.096	867 - 141	185.120	182.510	181.984	6.7	179.959	6.7	170.974	6.8	134.9
Malaysia	(M$)	4.3814	+0.0165	778 - 851	4.4451	4.3689	4.3857	-1.2	4.3937	-1.1	4.4123	-0.7	-
New Zealand	(NZ$)	2.4725	-0.0047	703 - 746	2.4914	2.4638	2.4757	-1.8	2.4795	-1.1	2.4801	-0.3	107.4
Philippines	(Peso)	45.6131	-0.0401	251 - 010	46.1011	45.1198	45.773	-4.2	46.0224	-3.6	47.0794	-3.2	-
Saudi Arabia	(SR)	5.9195	-0.0465	175 - 214	5.9745	5.9019	5.918	0.7	5.9076	0.8	5.8711	0.8	-
Singapore	(S$)	2.3825	+0.0214	809 - 840	2.4048	2.3643	2.3779	2.3	2.3678	2.5	2.3198	2.8	-
South Africa	(R)	7.3651	-0.0587	604 - 698	7.4234	7.3464	7.4258	-8.9	7.5437	-9.7	7.9806	-8.4	-
South Korea	(Won)	1411.78	-9.5	819 - 539	1424.20	1408.05	-	-	-	-	-	-	-
Taiwan	(T$)	45.3967	-0.3785	434 - 300	45.7700	45.2423	45.3201	0.4	45.2803	0.5	45.0827	0.6	-
Thailand	(Bt)	49.5587	-0.3893	640 - 533	50.3710	48.4630	49.8853	-8.2	50.3589	-6.4	51.3871	-3.7	-

† Rates for Aug 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	13.1050	+0.0568	018 - 082	13.1570	13.0530	13.081	2.2	13.032	2.2	12.808	2.3	107.2
Belgium	(BFr)	38.4510	+0.131	260 - 760	38.6190	38.2840	38.376	2.3	38.2245	2.4	37.531	2.4	101.0
Denmark	(DKr)	7.0920	+0.03	910 - 930	7.1233	7.0700	7.0803	2.0	7.056	2.0	6.9496	2.0	102.2
Finland	(FM)	5.5690	+0.0345	675 - 705	5.5679	5.5399	5.5575	2.5	5.5339	2.5	5.44	2.3	79.8
France	(FFr)	6.2790	+0.0322	780 - 800	6.2992	6.2527	6.2675	2.2	6.2436	2.5	6.1348	2.3	102.6
Germany	(DM)	1.8624	+0.008	620 - 628	1.8705	1.8555	1.8586	2.5	1.8508	2.5	1.8158	2.5	101.0
Greece	(Dr)	291.240	+1.185	190 - 290	292.550	290.260	292.535	-5.3	294.59	-4.6	301.74	-3.6	64.7
Ireland	(I£)	1.4300	-0.0083	275 - 325	1.4395	1.4245	1.4292	0.6	1.4283	0.5	1.4287	0.1	-
Italy	(L)	1817.81	+8.53	742 - 820	1823.99	1810.50	1819.58	-1.2	1822.59	-1.1	1826.01	+0.5	75.3
Luxembourg	(LFr)	38.4510	+0.131	260 - 760	38.6180	38.2840	38.376	2.3	38.2245	2.4	37.531	2.4	101.0
Netherlands	(Fl)	2.0980	+0.0087	977 - 983	2.1067	2.0905	2.0958	2.4	2.0952	2.4	2.0475	2.4	100.2
Norway	(NKr)	7.6621	+0.035	603 - 638	7.6993	7.6219	7.6476	2.3	7.6192	2.2	7.5075	2.0	95.3
Portugal	(Es)	188.410	+0.81	360 - 460	189.190	187.800	188.374	0.2	188.32	0.2	187.15	0.7	92.3
Spain	(Pta)	157.155	+0.59	140 - 170	157.820	156.630	157.11	0.3	156.935	0.6	155.76	0.9	75.8
Sweden	(SKr)	8.0091	+0.0321	053 - 126	8.0459	7.9811	8	1.4	7.9807	1.4	7.9067	1.3	85.6
Switzerland	(SFr)	1.5257	+0.0034	253 - 260	1.5290	1.5205	1.5204	4.2	1.5097	4.2	1.4642	4.0	105.0
UK	(£)	1.5783	+0.0124	778 - 788	1.5930	1.5736	1.5764	1.4	1.5726	1.5	1.5565	1.4	101.8
Ecu	-	1.0562	+0.0051	554 - 569	1.0598	1.0525	1.0576	-1.6	1.0603	-1.6	1.0764	-1.8	-
SDR†	-	0.738427	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0857	+0.0003	855 - 858	1.0858	1.0855	-	-	-	-	-	-	-
Canada	(C$)	1.3932	-0.0003	929 - 934	1.3957	1.3924	1.3901	2.7	1.3843	2.5	1.3638	2.1	84.3
Mexico	(New Peso)	7.7815	+0.023	790 - 840	7.7840	7.7730	7.89	-16.7	8.101	-16.4	9.0115	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3546	-0.0012	541 - 550	1.3555	1.3540	1.354	0.5	1.3522	0.7	1.3438	0.8	94.8
Hong Kong	(HK$)	7.7440	+0.0015	435 - 445	7.7475	7.7422	7.7445	-0.1	7.7454	-0.1	7.7477	0.0	-
India	(Rs)	35.7000	-0.005	700 - 300	35.7300	35.6600	35.8375	-4.6	36.1225	-4.7	37.335	-4.6	-
Israel	(Shk)	3.5372	+0.0069	323 - 421	3.5430	3.5320	-	-	-	-	-	-	-
Japan	(Y)	115.950	+0.215	900 - 000	116.310	115.600	115.435	5.3	114.435	5.2	110.135	5.0	136.3
Malaysia	(M$)	2.7760	+0.032	745 - 775	2.7930	2.7503	2.7805	-1.9	2.7895	-1.9	2.8195	-1.6	-
New Zealand	(NZ$)	1.5665	+0.0092	657 - 674	1.5677	1.5640	1.5673	-0.6	1.5697	+0.8	1.5798	+0.8	-
Philippines	(Peso)	28.9000	+0.2	000 - 000	29.2000	28.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 508	3.7507	3.7505	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5095	+0.0252	090 - 100	1.5130	1.4865	1.5078	1.4	1.504	1.6	1.4845	1.7	-
South Africa	(R)	4.6665	-0.0005	650 - 680	4.6795	4.6650	4.707	-10.4	4.7865	-10.3	5.089	-9.1	-
South Korea	(Won)	894.500	+1	500 - 500	896.700	892.100	-	-	-	-	-	-	-
Taiwan	(T$)	28.7250	-0.014	750 - 750	28.7750	28.6740	28.736	-0.5	28.745	-0.3	28.8375	-0.4	-
Thailand	(Bt)	31.4000	-	500 - 500	31.6500	31.1200	31.845	-17.0	32.55	-14.6	33.78	-7.6	-

† SDR rate per $ for Aug 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 11: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3½	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	3⅛	3⅛	3¼	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	6¼	[illegible]	[illegible]	6⅝	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.27
Netherlands	3¼	[illegible]	3½	[illegible]	3¾	-	2.50	3.00
Switzerland	1¼	1⅜	1⅜	1½	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	6	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	5⅝	5¾	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.39	5.45	5.55	5.75	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	3½	[illegible]	[illegible]	[illegible]	-	-	-

§ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3¼	[illegible]	3½ - 3⅜	[illegible]	3⅝ - 3½	[illegible]
Danish Krone	[illegible]	[illegible]	3⅝ - 3½	[illegible]	[illegible]	[illegible]
German Mark	3⅛ - [illegible]	3⅛ - 3	[illegible]	[illegible]	3⅜ - 3¼	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	3½ - 3⅜	[illegible]
French Franc	3¼ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	5⅝ - [illegible]	[illegible]	5⅜ - 5¼
Spanish Peseta	5¾ - [illegible]	[illegible]	[illegible]	5⅜ - [illegible]	[illegible]	5¼ - [illegible]
Sterling	[illegible]	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1½ - 1	[illegible]	1⅜ - 1¼	[illegible]	1⅝ - 1½	[illegible] - 1⅝
Canadian Dollar	[illegible] - 3¼	[illegible]	3½ - 3¼	[illegible]	[illegible] - 3⅞	[illegible]
US Dollar	[illegible]	5⅝ - 5½	5⅝ - 5½	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	½ - ⅜	½ - ⅜	[illegible]	[illegible]	[illegible]
Asian $Sing	1⅜ - 1¼	3¼ - [illegible]	3⅝ - [illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.50	96.50	+0.02	96.53	96.48	12,778	68,049
Dec	96.34	96.32	-0.02	96.36	96.31	8,756	41,266
Mar	96.24	96.22	-0.02	96.26	96.21	3,762	30,063

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.67	96.65	-0.02	96.67	96.64	26230	260821
Dec	96.52	96.46	-0.03	96.53	96.47	42956	294958
Mar	96.41	96.36	-0.04	96.42	96.35	53164	278828
Jun	96.22	96.16	-0.05	96.23	96.14	46252	204284

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug		96.82	+0.03			0	540
Sep		96.76	+0.01			0	348
Oct		96.70	-0.01			0	290
Nov		96.67	-0.01			0	85

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.20	93.22	+0.02	93.23	93.20	9978	104024
Dec	93.50	93.53	+0.03	93.55	93.50	11515	96146
Mar	93.83	93.86	+0.03	93.89	93.83	4290	51766
Jun	94.11	94.13	+0.04	94.16	94.11	3394	41746

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.45	98.45	+0.02	98.46	98.39	4300	81224
Dec	98.23	98.25	+0.02	98.25	98.19	7432	49957
Mar	98.11	98.11	+0.02	98.12	98.05	2590	24581
Jun	97.93	97.94	+0.01	97.94	97.90	752	6761

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.41	-0.01			0	na
Dec		99.33	-0.01			0	na
Mar		99.21	-0.02			0	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.63	95.64	-0.01	95.66	95.62	763	11075
Dec	95.58	95.57	-0.01	95.62	95.55	434	9138
Mar	95.56	95.55	-0.02	95.60	95.56	157	6133
Jun	95.51	95.48	-0.01	95.51	95.51	50	3290

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.25	0.59	0.94	0.03	0.06	0.08
9325	0.06	0.38	0.73	0.09	0.10	0.12
9350	0.01	0.23	0.54	0.29	0.20	0.18

Est. vol. total, Calls 4082 Puts 550. Previous day's open int., Calls 130569 Puts 62793

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.33	4.844	1.819	4728	5.456	19.93	490.0	408.7	20.83	3.968	1.648	3.623	2.601	301.6	2.462
Denmark	(DKr)	54.22	10	8.854	2.626	0.986	2563	2.958	10.80	265.7	221.6	11.29	2.151	0.893	1.964	1.410	163.5	1.335
France	(FFr)	61.24	11.29	10	2.966	1.114	2895	3.341	12.20	300.1	250.3	12.76	2.430	1.009	2.218	1.593	184.7	1.508
Germany	(DM)	20.65	3.808	3.371	1	0.376	976.1	1.127	4.114	101.2	84.38	4.300	0.818	0.340	0.748	0.537	62.26	0.508
Ireland	(I£)	54.98	10.14	8.979	2.663	1	2599	3.000	10.96	269.4	224.7	11.45	2.182	0.906	1.992	1.430	165.8	1.354
Italy	(L)	2.115	0.390	0.345	0.102	0.038	100	0.115	0.422	10.36	8.645	0.441	0.084	0.035	0.077	0.055	6.379	0.052
Netherlands	(Fl)	18.33	3.380	2.993	0.888	0.333	866.4	1	3.652	89.80	74.81	3.818	0.727	0.302	0.664	0.477	55.27	0.451
Norway	(NKr)	50.18	9.256	8.195	2.431	0.913	2372	2.738	10	245.8	205.1	10.45	1.991	0.827	1.818	1.305	151.3	1.236
Portugal	(Es)	20.41	3.764	3.333	0.988	0.371	964.8	1.114	4.067	100	83.41	4.251	0.810	0.336	0.739	0.531	61.54	0.503
Spain	(Pta)	24.47	4.513	3.995	1.185	0.445	1157	1.335	4.876	119.9	100	5.096	0.971	0.403	0.887	0.636	73.78	0.602
Sweden	(SKr)	48.01	8.855	7.840	2.325	0.873	2270	2.620	9.567	235.2	196.2	10	1.905	0.791	1.740	1.249	144.8	1.182
Switzerland	(SFr)	25.20	4.648	4.115	1.221	0.458	1191	1.375	5.022	123.5	103.0	5.248	1	0.415	0.913	0.655	76.00	0.621
UK	(£)	60.69	11.19	9.910	2.939	1.104	2869	3.311	12.09	297.4	248.0	12.64	2.408	1	2.199	1.578	183.0	1.494
Canada	(C$)	27.60	5.090	4.507	1.337	0.502	1305	1.506	5.500	135.2	112.8	5.749	1.095	0.455	1	0.718	83.23	0.680
USA	($)	38.45	7.092	6.278	1.862	0.699	1818	2.098	7.662	188.4	157.2	8.009	1.526	0.634	1.393	1	116.0	0.947
Japan	(Y)	33.16	6.118	5.415	1.606	0.603	1568	1.809	6.608	162.5	135.5	6.907	1.316	0.546	1.202	0.862	100	0.817
Ecu		40.61	7.491	6.632	1.967	0.739	1920	2.216	8.093	199.0	166.0	8.459	1.611	0.669	1.472	1.056	122.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5381	0.5374	-0.0052	0.5400	0.5357	30,963	114,226
Dec	0.5410	0.5410	-0.0048	0.5423	0.5407	502	3,839
Mar	-	0.5468	-	0.5468	0.5468	1	1,005

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6579	0.6573	-0.0077	0.6607	0.6567	14,129	53,372
Dec	0.6649	0.6641	-0.0078	0.6658	0.6641	79	2,293
Mar	-	0.6724	-0.0085	0.6724	0.6725	42	1,059

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8654	0.8650	-0.0118	0.8692	0.8637	28,348	72,813
Dec	0.8790	0.8770	-0.0111	0.8794	0.8765	224	2,272
Mar	0.8903	0.8903	-	0.8903	0.8902	12	414

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5872	1.5760	-0.0080	1.5918	1.5732	8,595	51,630
Dec	1.5770	1.5710	-0.0076	1.5770	1.5710	50	1,008
Mar	-	1.5800	-	-	1.5670	1	209

UK INTEREST RATES

LONDON MONEY RATES

Aug 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6½	7⅛ - [illegible]	[illegible]	7¼ - 7⅛	[illegible]	7½ - 7⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	7 - 6⅞	-	-
Bank Bills	-	-	7 - [illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7 - 6⅞	7 - 6⅞	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 8, 6.7800pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 25, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.76	92.78	+0.02	92.79	92.75	20547	117328
Dec	92.63	92.65	+0.02	92.66	92.60	25298	123100
Mar	92.61	92.63	+0.02	92.64	92.58	16597	97826
Jun	92.62	92.64	+0.02	92.65	92.57	12344	68585
Sep	92.64	92.66	+0.02	92.67	92.60	13151	56112

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.06	0.08	0.13	0.03	0.16	0.25
9300	0	0.02	0.05	0.22	0.37	0.42
9325	0	0	0.02	0.47	0.60	0.64

Est. vol. total, Calls 3056 Puts 2551. Previous day's open int., Calls 187493 Puts 204207

EMS EUROPEAN CURRENCY UNIT RATES

Aug 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.740402	+0.000768	-7.30	11.16	49
Finland	5.85424	5.90085	+0.00453	0.80	2.23	-5
Italy	1906.48	1927.63	+2.13	1.11	1.81	-8
Portugal	197.398	199.878	-0.01	1.26	1.76	-8
Spain	163.826	166.735	+0.068	1.78	1.25	-12
Denmark	7.34555	7.52247	-0.00065	2.41	0.62	-18
Netherlands	2.16979	2.22497	-0.0007	2.54	0.48	-19
Germany	1.92573	1.97523	-0.00014	2.57	0.46	-25
Austria	13.5485	13.8991	-0.0008	2.59	0.44	-18
Belgium	39.7191	40.7872	-0.002	2.69	0.34	-20
France	6.45863	6.65517	+0.00114	3.04	0.00	-26
NON ERM MEMBERS						
Greece	295.269	308.771	-0.278	4.57	-1.46	-
UK	0.793103	0.668296	-0.000428	-15.74	22.29	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.570	-	2.75	3.31	0.34	1.50	2.22
1.580	1.36	2.23	2.77	0.71	1.93	2.64
1.590	0.72	1.76	2.36	1.33	2.51	3.16

Previous day's vol., Calls 100 Puts 656. Prev. day's open int., Calls 33,752 Puts 37,767

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.535	0.45	0.83	1.24	0.15	0.52	0.74
0.540	0.21	0.66	0.86	0.38	0.76	0.97
0.545	0.08	0.45	0.74	0.72	1.06	1.26

Previous day's vol., Calls 1,195 Puts 308. Prev. day's open int., Calls 17,984 Puts 16,440

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.23	94.23	+0.01	94.24	94.23	36,365	511,924
Dec	94.01	94.03	-	94.03	94.00	80,944	483,032
Mar	93.91	93.94	-	93.94	93.82	74,930	336,753

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.86	94.88	-	94.88	94.86	370	6,921
Dec	94.72	94.72	-	94.72	94.71	268	2,472
Mar	94.75	94.62	+0.04	94.75	94.75	179	672

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9625	0.40	0.41	0.27	0.29	0	0.01	0.04	0.06
9650	0.16	0.17	0.10	0.12	0.01	0.02	0.12	0.14
9675	0.01	0.02	0.02	0.03	0.11	0.12	0.29	0.30
9700	0	0	0	0.01	0.35	0.35	0.52	0.53
9725	0	0	0	0	0.60	0.60	0.77	0.77

Est. vol. total, Calls 5050 Puts 7508. Previous day's open int., Calls 354699 Puts 284024

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.08	0.10	0.12	0.13	0.35	0.51
9875	0.01	0.03	0.05	0.31	0.53	0.69

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3875 Puts 3455

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	7.50	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	6.75	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Western Trust	8.50
Bank of Scotland	7.00	C. Hoare & Co	7.00	Whiteaway Laidlaw	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00	Yorkshire Bank	7.00
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	● Members of London Investment Banking Association	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00	* In administration	
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

COMMODITIES AND AGRICULTURE

US corn estimates reduced

MARKETS REPORT

By Nikki Tait in Chicago and Gary Mead and Kenneth Gooding in London

Forecasts for the US corn harvest were sharply reduced yesterday by the US Department of Agriculture in its first estimate of autumn production, prompting a surge in prices.

The USDA said that, as a result of recent dry weather, it was cutting its estimate of US corn production to 9.28bn bushels. This represented a reduction of more than 4 per cent from its July estimate of 9.7bn bushels, and was below most private sector analysts' estimates of around the 9.5bn mark.

Agronomists seized on the revised forecast, suggesting it should send corn prices higher and could have an effect on the livestock markets. "It's a very bullish number," said Mr Daniel Basse, at AgResources.

On the Chicago Board of Trade, September corn futures jumped 12 cents to $2.16, with the December contract gaining a similar amount to $2.62.

The reduction in the corn crop estimate was spurred by the very dry weather in July. This week, however, many key growing areas in the US have seen rain, leaving economists divided on whether the corn harvest will recover or be damaged further. Mr Basse, for example, warned of the possibility of "dead, wet corn, rather than just corn".

In spite of the downgrading of the corn harvest forecast, the USDA estimate would still leave production levels at the fourth highest on record.

The soyabean crop, meanwhile, is now estimated at 2.74bn bushels – up from a previous forecast of 2.69bn bushels and potentially a record number. Agronomists warned, however, that this crop was at a critical point in the growing cycle and the market was already tight. Weather conditions, they said, would remain crucial.

The US wheat harvest was forecast at 2.53bn bushels, up from 2.43bn previously. While this is a relatively solid number, analysts noted that it coincided with increasing concerns in other parts of the world – such as Canada, where output levels have been downgraded; Australia, which is facing the possible impact of the El Niño weather system; and eastern Europe, where there have been quality problems.

Coffee prices fell on further reports suggesting Brazil's coffee plantations are likely to escape frost damage over the next five days.

The September future for robusta coffee on the London International Financial Futures Exchange closed $110 lower at $1,520 a tonne.

Increases in London Metal Exchange stocks caused prices to come under heavy selling pressure. Zinc recorded the biggest fall after a 1,400 tonne stock increase, with metal for immediate delivery down by 5 per cent to $1,631 a tonne, and three-month zinc down by 3 per cent to $1,501. Traders said there were rumours of 20,000 tonnes being sent to the LME's Singapore warehouses from China.

The market was surprised by a 725 tonne rise in aluminium stocks, the first increase for some time. The price fell below $1,700 a tonne before recovering to close $35 lower at $1,715.

EIU forecasts lower crude oil prices

By Robert Corzine

A global oil surplus and lower crude prices are expected to follow the resumption of Iraqi exports, according to the latest world commodity forecast from the Economist Intelligence Unit.

The predicted softness in crude prices should contrast with a strengthening of hard commodity prices over the remainder of the year, say the report's authors.

The EIU believes oil demand growth this year will not be as strong as in 1996. It estimates the average global growth in consumption at 2.5 per cent, compared with 2.8 per cent last year, with non-OECD countries accounting for more than 70 per cent of the increase.

But it says that oversupply, exacerbated by Iraqi exports, is the main factor behind its bearish outlook for the oil price.

"Assuming [Iraqi] exports restart during the third quarter, the global surplus will re-emerge and prices resume their downward trend. Chronic oversupply will push prices even lower in 1998 and 1999," according to Ms Karen St Jean, the EIU's commodity analyst.

Iraq yesterday signed its third export contract as it gears up to sell as much oil as it can over the next several weeks. The delay in starting the programme on schedule in June means Baghdad only has until September 5 to meet a $1bn sales target.

The EIU expects the cost of oil imports to the main industrialised economies will average $18.50 a barrel in 1997 and $18.30 in 1998. "We expect prices to remain flat in 1999 as the global surplus is reduced."

The EIU report comes down firmly on the side of those who argue that growth in non-Opec output, hit by a number of new field delays earlier this year, will soon resume the strong upward trend seen in recent years. It expects non-Opec output to rise by 3.29m b/d between 1996 and 1999.

Other analysts argue that the recent wave of field delays is a sign that many non-Opec oil companies are struggling to meet ambitious production targets.

● The EIU suggests the recovery in aluminium prices in the second half will be short-lived because supply is exceeding demand, writes Kenneth Gooding, Mining Correspondent.

Rising stocks will push prices lower in 1998, from a forecast average of $1,637 a tonne this year to an average of $1,619, but sustained growth in demand will lead to a rebound in 1999.

The copper market is likely to see a supply surplus building from 150,000 tonnes this year to 200,000 tonnes in 1998, the EIU suggests. Production problems have restricted supply so far this year but from now on it will outpace demand, pushing stocks higher and prices lower. The EIU is forecasting an average copper price of $2,389 a tonne this year, falling to $2,204 in 1998 and to $2,094 in 1999.

Zinc demand will outpace supply for another three years, the EIU suggests. The market balance will not shift in favour of buyers until the second half of 1999, when prices should ease. Zinc is forecast to average $1,289 a tonne this year and $1,366.50 in 1998.

The EIU says the big uncertainty in the market relates to Chinese exports. These could be higher than it is forecasting and the price impact more bearish.

Big rise in gold cleared in London

By Kenneth Gooding, Mining Correspondent

The volume of gold cleared in London, the international settlement centre for gold bullion, increased sharply in July after the price of the precious metal fell to a 12-year low.

Figures released yesterday show that although some gold producers might be suffering from low prices, dealers are doing much better than in recent years, when prices were held in a very tight trading range by options activity.

The London Bullion Market Association reported that the average daily clearing turnover for gold rose from 32.2m troy ounces in June to 37m ounces in July.

As a result, although the average price fell to $324.10 an ounce from $340.76, the average daily value of turnover also rose, to $12bn in July from $11bn in June.

Mr Chris Elston, chief executive of the LBMA, said greater volatility of the gold price and additional positioning and hedging inevitably made for higher turnover.

The LBMA started reporting clearance statistics only from October last year, so there are no comparative figures for July 1996.

Last month's total was below the record 40.3m ounces a day, worth $14bn, cleared in February – a month in which the average gold price tumbled by $25 an ounce and fell below $350.

Average daily volume turnover of silver in July was little changed from June, at 270.6m ounces. However, as the average price fell from $4.755 an ounce in June to $4.372, the average daily value fell from $1.3bn to $1.2bn.

Irish dairy research station hit by BSE

By Alison Maitland

A leading dairy research station in County Cork, Ireland, is to lose its herd of 550 cattle because of a case of bovine spongiform encephalopathy (BSE).

The Moorepark station carries out research into producing milk from high-yielding cows fed on a mainly grass diet. The herd now faces destruction because BSE has been found in a four-year-old cow.

Irish government policy, in common with that of other European Union countries but not the UK, is to destroy entire herds when a case of BSE emerges.

"There are no exceptions," said Mr Kevin O'Farrell, head of dairy production research. "It's quite a severe shock to us all. We're going to lose a significant part of our work, particularly our last five-year programme."

The experiment aimed to increase milk output to 2,000 gallons an acre of grassland by 2000 – or nearly 10,000 litres an cow – by feeding mainly grass to cows bred for high production.

The programme was only about 15 per cent short of the production target, but had uncovered problems such as increased infertility.

The incident comes as Ireland is struggling to reopen export markets for its beef in Libya, Iran and Iraq. The Egyptian market has reopened and Russia is buying from 19 of Ireland's 26 counties.

Mr O'Farrell said the station felt reasonably secure because BSE appeared to be declining in Ireland. There were 41 cases to the end of July, with the numbers falling each month. Ireland has had 229 cases since 1989, the second highest number in the EU, after the UK.

The Irish agricultura department is investigating the cause of the disease in the cow, which was born on the farm.

Ironically, given the mainly grass diet at the station, the cow is thought to have contracted BSE from contaminated meat and bonemeal in concentrated feed it received as a calf.

Meat and bonemeal were banned from ruminants' feed in Ireland in 1990, but there are suspicions it continued to enter rations through cross-contamination from pig and poultry feed.

New rules were introduced last year separating the production of ruminant feed from that for other farm animals.

The research farm, which employs 144 staff, is part of Ireland's semi-state agricultural research and training organisation.

It will be allowed to restock one month after the herd is destroyed. "Our aim is to salvage as much of our programme as we can," Mr O'Farrell said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1712-3	1715-6
Previous	1756-7	1747-8
High/low	1722/1721	1744/1693
AM Official	1720-21	1720-21
Kerb close		1715-16
Open int.	289,888	
Total daily turnover	122,051	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1490-95	1515-20
Previous	1505-15	1530-40
High/low		1525/1520
AM Official	1495-1500	1520-25
Kerb close		1515-25
Open int.	5,585	
Total daily turnover	794	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	582.5-3.5	598-9
Previous	594-600	609.5-10.5
High/low		605/598
AM Official	580.5-1.0	596.5-597.0
Kerb close		596-97
Open int.	37,035	
Total daily turnover	6,094	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6630-35	6739-40
Previous	6810-15	6910-15
High/low		6860/6690
AM Official	6680-85	6785-90
Kerb close		6690-700
Open int.	52,427	
Total daily turnover	24,090	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5370-80	5420-25
Previous	5480-90	5520-30
High/low		5490/5370
AM Official	5385-90	5420-30
Kerb close		5410-20
Open int.	15,606	
Total daily turnover	5,054	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1628-31	1500-01
Previous	1718-23	1547-8
High/low	1655/1640	1544/1470
AM Official	1643-45	1511-3
Kerb close		1479-80
Open int.	95,224	
Total daily turnover	26,287	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2278-81	2261-2
Previous	2311-14	2287-8
High/low	2276	2280/2255
AM Official	2276-7	2256-7
Kerb close		2278-79
Open int.	140,780	
Total daily turnover	49,780	

■ LME AM Official £/$ rate: 1.5961
LME Closing £/$ rate: 1.5775

Spot: 1.5774 3 mths: 1.5716 6 mths: 1.5662 9 mths: 1.5615

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	104.70	-0.50	105.10	103.70	208	2,409
Sep	104.85	-0.35	105.60	103.60	4,196	21,001
Oct	104.35	-0.35	104.70	103.70	78	1,748
Nov	103.30	-0.30	-	-	10	1,375
Dec	102.85	-0.30	103.15	101.60	621	8,460
Jan	102.45	-0.35	-	-	12	670
Total					5,168	43,436

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	325.80-326.30		
Opening	327.50-327.80		
Morning fix	327.60	207.158	498.935
Afternoon fix	326.15	206.469	497.705
Day's High	327.70-328.00		
Day's Low	324.90-325.30		
Previous close	327.30-327.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.60	6 months	3.59
2 months	3.54	12 months	3.73
3 months	3.57		

Silver Fix	p/troy oz.	US cts equiv.
Spot	279.35	443.15
3 months	283.50	448.20
6 months	287.85	453.60
1 year	296.45	464.50
Gold Coins	$ price	£ equiv.
Krugerrand	319-321	202-204
Maple Leaf	-	-
New Sovereign	75-77	47-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	326.7	-1.5	327.8	326.0	124	484
Sep	327.6	-1.5	-	-	-	2
Oct	328.8	-1.6	330.2	326.8	1,685	15,806
Dec	330.8	-1.7	332.5	328.7	31,973	114k
Feb	332.7	-1.6	334.0	332.1	180	12,606
Apr	334.7	-1.8	335.6	334.5	1	6,316
Total					34,487	197,366

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	435.0	-7.0	440.2	432.0	494	11,849
Jan	425.5	-7.0	428.5	424.5	10	2,585
Apr	420.0	-7.0	422.0	422.0	3	413
Total						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	218.00	-4.00	220.00	216.50	307	3,881
Dec	206.50	-3.00	207.00	206.00	96	1,300
Mar	200.50	-3.00	-	-	1	136
Jun	199.00	-3.00	-	-	-	107
Total						

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	441.4	-1.4	-	-	-	-
Sep	442.5	-1.5	444.6	438.0	7,815	51,642
Dec	449.0	-1.5	451.0	444.5	1,671	20,535
Jan	450.6	-1.5	-	-	-	20
Mar	455.4	-1.5	454.5	452.5	269	10,456
May	458.4	-1.5	458.0	457.5	12	2,986
Total					9,558	93,176

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.91	+0.22	20.02	19.58	29,598	81,926
Oct	20.06	-0.18	20.15	19.86	19,680	71,324
Nov	20.14	+0.18	20.25	19.96	6,292	39,615
Dec	20.20	+0.17	30.26	20.01	5,171	51,735
Jan	20.20	+0.15	20.25	20.15	2,149	29,330
Feb	20.43	+0.37	-	-	850	15,241
Total					66,438	438,970

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	18.76	-0.16	18.80	18.55	15,216	39,107
Oct	18.86	+0.11	18.90	18.68	12,003	63,031
Nov	18.97	+0.08	19.00	18.85	1,433	14,768
Dec	19.09	+0.08	19.10	18.97	1,115	19,092
Jan	19.13	+0.09	19.13	19.00	301	14,840
Feb	18.05	+0.05	19.00	19.04	61	6,924
Total					32,256	170,520

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	54.90	+0.54	55.25	54.30	11,792	38,642
Oct	55.65	+0.33	56.00	55.30	5,587	28,666
Nov	56.50	+0.48	56.75	56.10	1,395	17,848
Dec	57.25	+0.33	57.50	56.90	3,978	21,081
Jan	57.90	+0.43	58.10	57.65	1,752	15,206
Feb	58.10	+0.48	58.25	57.65	772	7,916
Total					25,929	148,660

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	166.50	-	160.50	168.25	9,629	6,922
Sep	170.75	+1.00	171.25	170.00	12,381	22,419
Oct	172.75	+1.75	173.00	172.00	2,607	11,581
Nov	174.50	+1.50	174.50	173.75	629	8,570
Dec	176.00	+1.50	175.75	175.00	278	13,459
Jan	178.50	+1.50	176.00	175.50	351	7,874
Total					26,021	83,931

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	9.000	-0.210	9.050	9.000	45	495
Oct	10.750	-0.150	10.850	10.750	30	1,150
Total					100	5,740

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.495	-0.091	2.604	2.485	36,154	46,837
Oct	2.495	-0.083	2.599	2.485	13,835	32,571
Nov	2.590	-0.060	2.659	2.590	3,112	16,073
Dec	2.695	-0.050	2.745	2.695	4,159	18,762
Jan	2.710	-0.052	2.780	2.705	2,885	18,757
Feb	2.580	-	2.600	2.550	2,530	13,856
Total					66,934	217,654

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	63.00	+1.58	63.40	61.40	15,893	39,251
Oct	58.95	+0.86	58.20	58.20	6,401	21,670
Nov	57.50	+0.71	57.50	56.90	1,189	9,805
Dec	56.85	+0.51	57.05	56.55	454	9,139
Jan	56.90	+0.50	57.10	56.70	471	6,847
Feb	57.25	+0.40	57.25	57.25	179	3,253
Total					25,419	98,769

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	82.85	-2.15	84.50	84.50	21	192
Nov	85.85	-2.15	87.50	85.75	176	3,908
Jan	88.00	-2.00	89.50	87.75	227	2,515
Mar	90.00	-2.00	91.50	90.00	60	1,724
May	92.00	-2.00	93.25	92.00	31	860
Jul	84.00	-2.00	85.25	95.25	11	37
Total					556	9,236

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	361.00	-2.75	373.00	360.50	6,864	32,701
Dec	376.50	-2.25	388.00	376.00	12,295	51,111
Mar	386.50	-3.00	397.00	386.00	1,087	15,161
May	389.00	-1.25	396.50	389.00	79	1,474
Jul	381.75	+0.25	389.00	381.00	349	4,942
Dec	393.00	-	-	-	1	2
Total					20,674	105,412

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	261.75	+12.00	261.75	251.50	12,033	47,854
Dec	265.25	+12.00	266.25	258.75	34,987	149,989
Mar	274.25	+12.00	274.25	265.00	3,470	34,714
May	278.75	+12.00	278.75	270.50	1,291	6,056
Jul	281.75	+12.00	281.75	281.75	1,488	13,423
Sep	271.50	+12.00	271.50	269.50	48	1,544
Total					53,688	261,665

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	78.00	-0.75	-	-	-	142
Nov	80.50	-0.75	-	-	62	999
Jan	82.50	-0.75	83.25	82.25	35	329
Mar	84.50	-0.75	85.25	85.25	5	263
May	85.00	-0.75	-	-	-	19
Total					40	1,752

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	743.75	+20.00	748.00	729.00	3,253	7,014
Sep	647.75	+4.75	656.00	640.00	4,178	15,724
Nov	611.50	+1.50	621.00	607.00	26,957	76,000
Jan	616.50	+2.25	625.00	613.00	1,925	16,016
Mar	625.25	+0.25	633.50	622.75	412	5,608
May	631.50	-	640.50	632.00	186	4,017
Total					37,847	128,458

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	22.09	+0.49	22.10	21.72	738	996
Sep	22.19	+0.51	22.25	21.60	3,654	20,821
Oct	22.36	+0.47	22.42	22.00	1,135	18,119
Dec	22.62	+0.51	22.68	22.10	6,346	46,105
Jan	22.81	+0.54	22.87	22.48	386	7,310
Mar	23.16	+0.53	23.16	22.85	117	4,840
Total					13,484	100,570

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	250.6	+0.6	253.0	248.5	2,934	9,201
Sep	222.4	+0.7	226.5	220.5	3,666	22,151
Oct	204.3	-2.5	209.5	203.7	940	14,947
Dec	199.3	-1.9	205.0	198.0	5,397	39,545
Jan	195.4	-3.1	201.0	195.5	401	6,226
Mar	192.5	-3.5	199.0	192.5	323	8,193
Total					13,857	106,706

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	6
Mar	116.0	+10.5	-	-	-	-
Apr	134.0	+10.5	137.0	128.0	239	1,253
May	144.0	+10.5	-	-	-	2
Jun	154.0	+14.0	-	-	-	-
Total					238	1,273

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1280	+15	1280	1268	48	792
Sep	1345	+20	1330	1330	10	543
Oct	1455	+15	1445	1440	3	1,492
Jan	1470	+10	-	-	-	234
Total					59	3,071

	Close	Prev
BFI	1281	1281

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	545.00	+2.00	546.00	545.00	6	216
Dec	563.00	-	566.00	562.00	10	128
Total						

FUTURES DATA
All futures data supplied by CMS.

Minor metals *from Metal Bulletin*

$ per lb in warehouse, unless otherwise stated. **Antimony:** 99.65%, $ per tonne, 1,900-1,970 (1,935-2,000). **Bismuth:** min. 99.99%, tonne lots 3.40-3.70 (3.50-3.75). **Cadmium:** min. 99.95%, cents a pound, 48.00-58.00. **Cobalt:** MB free market, min. 99.8%, 22.30-23.20; min. 99.3%, 19.40-20.20 (19.20-20.00). **Mercury:** min. 99.99%, $ per 76 lb flask, 146-158 (150-160). **Molybdenum:** drummed molybdic oxide, 4.35-4.50. **Selenium:** min 99.5%, 1.90-2.90. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-45 (45-55). **Vanadium:** min. 98%, CIF, 4.00-4.10. **Uranium:** 9.60 (9.70).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1035	+13	1039	1020	1,383	20,903
Dec	1065	+12	1070	1052	1,634	42,577
Mar	1085	+11	1090	1073	731	50,316
May	1101	+12	1100	1086	270	21,853
Jul	1116	+12	1120	1104	71	7,457
Sep	1131	+11	1129	1120	25	10,942
Total					4,953	175,467

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1492	-4	1523	1488	4,624	15,433
Dec	1515	-21	1543	1512	4,872	31,680
Mar	1544	-26	1572	1544	409	25,246
May	1562	-26	1587	1568	25	12,305
Jul	1582	-28	1607	1590	646	2,147
Sep	1603	-26	-	1610	22	3,721
Total					10,097	103,254

■ COCOA (ICCO) (SDR's/tonne)

Aug 11	Price	Prev. day
Daily	1176.71	1171.63

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1520	-110	1625	1502	3,279	17,429
Nov	1537	-90	1630	1524	2,587	14,298
Jan	1522	-85	1600	1512	1,000	6,626
Mar	1495	-87	1575	1485	60	1,690
May	1488	-87	1477	1477	6	217
Jul	1483	-87	1560	1550	8	20
Total					6,993	40,289

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	188.20	-11.15	204.00	185.50	4,418	7,812
Dec	168.50	-6.25	187.75	165.00	2,910	7,587
Mar	149.95	-4.60	156.50	149.00	481	3,596
May	144.40	-4.35	149.50	144.50	67	1,093
Jul	139.40	-4.35	145.00	139.50	25	753
Sep	134.40	-4.35	137.50	134.75	16	289
Total					7,932	21,210

■ COFFEE (ICO) (US cents/pound)

Aug 11		Prev. day
Comp. daily	137.29	140.16
15 day average	138.25	137.41

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	322.3	-0.6	323.5	322.0	598	14,304
Dec	319.7	-1.2	321.1	319.5	342	6,115
Mar	322.1	-0.4	322.7	322.1	246	7,892
May	320.6	-0.4	320.8	320.3	222	1,657
Aug	316.6	+0.4	-	-	-	922
Oct	313.2	+0.6	313.3	312.5	120	1,861
Total					1,528	33,036

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.51	-0.02	11.54	11.45	6,904	103k
Mar	11.77	-0.04	11.50	11.74	3,127	59,869
May	11.75	-0.01	11.77	11.70	1,032	13,145
Jul	11.63	-0.02	11.65	11.59	669	7,564
Oct	11.50	-0.01	11.63	11.57	910	4,042
Mar	11.51	+0.08	11.54	11.54	50	1,004
Total					12,742	189,253

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.79	+1.08	74.85	74.20	1,014	10,557
Dec	74.70	+1.02	74.95	74.26	7,697	42,533
Mar	76.15	+1.05	76.22	75.80	1,042	11,934
May	76.75	+1.05	76.20	76.16	1,087	3,665
Jul	76.30	+1.00	77.55	76.85	845	2,508
Oct	75.40	+0.55	75.00	75.15	43	631
Total					13,133	77,870

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	81.30	-0.55	82.25	78.20	4,973	15,538
Nov	83.10	-0.80	84.00	80.50	3,126	10,301
Jan	85.40	-0.60	85.00	82.50	1,194	4,763
Mar	87.90	-0.95	88.65	85.70	279	3,125
May	90.40	-1.50	91.50	90.85	79	640
Jul	92.65	+2.65	92.00	92.00	30	351
Total					9,681	34,835

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 11	Aug 8	month ago	year ago
1911.0	1920.2	1903.7	1932.4

■ CRB Futures (Base: 1967 = 100)

Aug 8	Aug 7	month ago	year ago
243.75	243.69		

■ GSCI Spot (Base: 1970 = 100)

Aug 8	Aug 7	month ago	year ago
194.43	194.20	182.64	197.91

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+725	to	621,200
Aluminium alloy	-100	to	55,100
Copper	+3,900	to	254,300
Lead	-100	to	116,075
Nickel	+336	to	55,692
Zinc	+1,400	to	398,500
Tin	-100	to	11,330

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	65.725	+0.075	66.100	65.450	4,882	9,175
Oct	69.550	-0.300	69.800	69.100	5,644	52,498
Dec	71.775	-0.125	71.950	71.425	1,804	21,081
Feb	73.300	-0.050	73.425	72.800	1,191	10,908
Apr	74.775	-0.075	74.850	74.300	289	4,517
Jun	71.500	+0.075	71.600	71.200	76	2,938
Total						

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	79.675	-0.525	80.300	79.725	1,538	6,121
Oct	72.050	+0.200	72.200	71.650	4,819	16,283
Dec	68.375	-0.100	68.700	68.350	977	6,143
Feb	67.175	+0.375	67.225	66.900	143	2,566
Apr	63.175	+0.150	63.600	63.100	50	1,513
Jun	66.950	+0.450	67.100	66.550	6	614
Total						

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	82.200	+1.075	82.850	80.650	831	1,011
Feb	74.650	+0.625	74.750	73.450	990	3,569
Mar	74.200	+0.225	74.200	73.600	16	116
May	74.175	-0.25	-	73.500	13	26
Jul	74.950	-0.550	74.950	74.600	1	17
Total						

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1650	78	113	18	51
1700	47	86	36	73
1750	25	64	65	100
■ COPPER (Grade A) LME	**Sep**	**Nov**	**Sep**	**Nov**
2250	117	130	17	63
2300	52	79	52	110
2350	18	44	117	174
■ COFFEE LIFFE	**Sep**	**Nov**	**Sep**	**Nov**
1550	26	106	56	116
1600	13	87	93	150
1650	8	70	136	183
■ COCOA LIFFE	**Sep**	**Dec**	**Sep**	**Dec**
1000	41	100	8	35
1025	24	85	14	45
1050	12	72	27	57
■ BRENT CRUDE IPE	**Sep**	**Oct**	**Sep**	**Oct**
1800	-	-	-	29
1850	-	79	-	45
1900	-	56	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.50-7.60w	+0.240
Brent Blend (dated)	$18.56-8.58	+0.340
Brent Blend (Sep)	$18.74-8.76	+0.290
W.T.I.	$19.94-9.96w	+0.320

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$220-224	+2
Gas Oil	$170-172	
Heavy Fuel Oil	$91-93	
Naphtha	$193-195	+0.5
Jet fuel	$188-189	+1
Diesel	$175-176	+0.5

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	9.05-9.15	+0.20

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

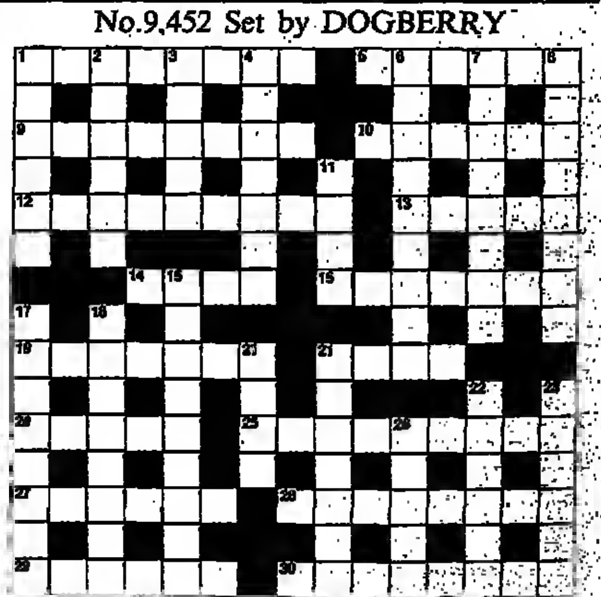
Gold (per troy oz)♣	$326.05	-1.5
Silver (per troy oz)♣	443.00c	
Platinum (per troy oz.)	$437.00	-7.5
Palladium (per troy oz.)	$230.00	-4.0
Copper	113.0c	
Lead (US prod.)	46.00c	
Tin (Kuala Lumpur)	14.86r	+0.36
Tin (New York)	256.6	-6.0
Cattle (live weight)	100.59p	+2.39*
Sheep (live weight)	114.54p	+4.84*
Pigs (live weight)†	73.87p	-3.76*
Lon. day sugar (raw)	$261.20	+2.90
Lon. day sugar (wte)	$343.30	+4.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	61.75p	
Rubber (Oct)♥	62.00p	
Rubber (KL RSS No1)	249.0x	+0.6
Coconut Oil (Phil)§	570.0y	-15.0
Palm Oil (Malay.)§	500.0z	-12.5
Copra (Phil)§	$390.0y	
Soyabeans (US)	212.0	
Cotton Outlook'A' Index	81.35c	-0.10
Wooltops (64s Super)	415p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 550 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,452 Set by DOGBERRY



ACROSS

1 Sling a spying device into religious group (8)
5 Sarah's unlikely to be a nuisance (6)
9 Musicians I have up in court for lawless behaviour (8)
10 Famish or lead to victory (6)
12 Wanting dress to be impractical? (9)
13 Snap out of an anxiety attack (5)
14 Sheep turned on unknown lamb-owner (4)
16 Veil supplied by haymakers without hesitation (7)
19 Baseballer in jug (7)
21 Something hilarious in scriptural lessons and books (4)
24 The Oval's stray shots (5)
25 Retrospective preserved gallery from ruin (9)
27 Flower in a field on the outskirts of Alcatraz (6)
28 Build more houses! Advertisement is thrown into the river (8)
29 Reach former home of nomad (6)
30 Sell again, receiving sovereign from minister (8)

DOWN

1 Biblical measure encompassing head of Stravinsky or Picasso, say (6)
2 Gland keeping Poles in work (6)
3 Indicate purpose (5)
4 Theft of nearly 100 (7)
6 An insider's advice concerning starter (9)
7 Army goon's inept management of the country (8)
8 Food item causing king to decease unexpectedly (8)
11 Spot that disproves Pythagorean section (4)
15 Tree doctor to spare the museum (9)
17 A situation devoured by renegade (8)
18 Reliable salt solution applied to blemish (8)
20 Repast performance upriver (4)
21 Sweden held in honour? Quite the opposite (7)
22 Dearth of sportsmen belonging to the compiler (6)
23 Top man wearing part of a necklace (6)
26 Extra thin (5)

Solution 9,451

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
American Phoenix Investment Portfolios (a)					
13 rue Goethe, L-1637 Luxembourg 00 352 404648211					
European Multinational Ptflo		Ecu25.75		+0.03	-
European Multinational Ptflo		$27.14		+0.18	-
European Multinational Ptflo		£17.27		+0.44	-
European Multinational Ptflo		L49445		-147	-
European Multinational Ptflo		DM58.04		-0.04	-
Global Multinational Ptflo.		Ecu24.34		+0.09	-
Global Multinational Ptflo.		$25.72		+0.01	-
Global Multinational Ptflo.		£15.22		+0.08	-
Global Multinational Ptflo.		L48747		+158	-
Global Multinational Ptflo.		DM47.91		+0.15	-
US Growth Companies		$17.95		-0.2	-
US Growth Companies		£11.32		-0.07	-
US Growth Companies		L32025		-253	-
US Growth Companies		DM33.44		-0.27	-
US Real Estate Securities		$16.79		-0.09	-
US Real Estate Securities		£9.94		-	-
US Real Estate Securities		L28533		-78	-
US Real Estate Securities		DM29.35		-0.08	-
BAII Asset Management Ltd					
10 Piccadilly, London W1V 0EE 0171 734 3709					
Intercurrent NAV Jul 31 F		$551.42		+0.10	-
Interportfolio Fund					
Convertible (US$) Jul 16		$775.54		-	-
Convertible (FFr) Jul 16 7		FFr3248.47		-	-
Caution (US$) 2		$540.83		-	-
Bank Von Ernst & Cie AG					
Marktgasse 63/65, 3001 Berne, Switzerland 0041 313291111					
[illegible] Equity		£1F.98		+0.08	-
[illegible] Smaller Co's Equity		£25.99		+0.27	-
[illegible] American Equity		$11.44		-0.01	-
US Smaller Co's Equity		$24.82		+0.04	-

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or −	Yield Gross

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27¾	–	*£27⅞	£20¾	2,091	2.8	ϕ
Barlow	‡†	£7⅜	–¼	£8½	£5⅛	1,898	1.8	16.5
Gold Flds Prop R	†	190	+1½	199¾	122	19.4	4.6	14.4
SA Brews		£19½	+⅛	£20⅜	£13¾	5,831	2.0	ϕ
Standard Bank		£29⅛	+¼	£30	£21	3,581	1.9	ϕ
Tiger Oats	†	1067	+10	1100	790	1,813	1.8	20.1
Tongaat-Hulett		780	+6	798¾	676¼	757.4	2.5	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1623. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £6.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie resumes its march towards 5,100

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The FTSE 100 index drove to within 20 points of its intra-day record yesterday at the end of a husy trading session in London, as part of a hroadly hased advance hy the equity market.

The momentum behind the latest surge came from Wall Street's overnight rally, which saw the Dow Jones Industrial Average recover an early 20-point fall and finish the session 30 polnts higher on balance.

Also helping to boost sentiment was a series of generally good corporate results from leading UK companies.

Encouragingly, the market's closing rise came after a series of houts of substantial profit-taking, mostly in the leaders, which were well absorhed hy marketmakers and which saw the stock quickly passed on to what traders described as "eager huyers". Those huyers were said to have been institutional fund managers currently running portfolios underweight in UK stocks.

Unlike the FTSE 100, which had to endure the sporadic spells of profit-taking, the FTSE 250 and SmallCap indices closed at or just below their best levels yesterday and never looked under pressure throughont the day. The latter finished 10.1 ahead at 2,228.8, its fourth consecutive rise, leaving it 146.2 short of its intra-day record.

The FTSE 250, meanwhile, powered past 4,700 to close 28.8 higher at 4,700.4, extending its rise over the past six sessions to 215.4, or 4.8 per cent.

In the background, a batch of higher than expected inflation data, which caused a brief burst of uncertainty, was quickly shrugged aside. Annual headline inflation rose to 3.3 per cent and the underlying rate to 3 per cent: "A windfall and food inflation-induced hlip," said one trader.

London's hullish mood came as no surprise to marketmakers, who have suffered hadly from stock shortages as Footsie surged past 5,000.

"There is a feeling around the City that the market still has some way to go before it meets any big resistance; we are being pushed ahead by the strong build up in liquidity and as long as Wall Street doesn't fall out of bed there is more upside to come," said one head of marketmaking.

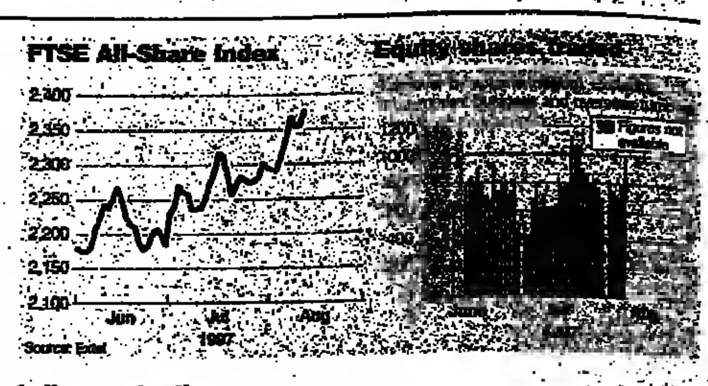
He added, somewhat tongue in cheek, that the top of the current market cycle might come "when the big institutions known to be underweight suddenly shift their stance to a market weighting or when we see a big multi-billion all-paper hid."

Another leading marketmaker said that the big institutions were "terrified of being left behind; they've had a few doses of heing left at the starting post over the past couple of years and they haven't forgotten that."

He insisted that talk of switching out of the leaders into the second liners was misplaced: "If you can't buy the leaders, which tends to he true in this market, then you huy the second best, which happen to offer good value on a relative basis."

Turnover of 826m shares was viewed as slightly disappointing, being above Monday's depressed level but well below last week's 1 hillion-plus numbers.

FTSE All-Share Index



Indices and ratios

FTSE 100	5075.8	+43.9
FTSE 250	4700.4	+28.8
FTSE 350	2438.0	+19.9
FTSE All-Share	2376.39	+18.87
FTSE All-Share yield	3.30	3.33
FT 30	3226.5	+20.8
FTSE Non-Fins p/e	19.95	18.76
FTSE 100 Fut Sep	5115.0	+53.0
10 yr Gilt yield	7.10	7.15
Long gilt/equity yld ratio	2.17	2.16

Best performing sectors

1 Tobacco +3.0
2 Gas Distribution +2.8
3 Retailers: Food +2.6
4 Oil: Integrated +2.3
5 Diversified Inds +2.2

Worst performing sectors

1 Insurance -0.5
2 Health Care -0.5
3 Oil Exploration & Prod -0.4
4 Building Mats & Mer -0.3
5 Pharmaceuticals -0.2

Oils up on alliance hopes

By Peter John and Joel Kibazo

The UK oil majors moved sharply higher yesterday as prospects of further industry restructuring were raised by strong rumours of a US alliance.

Donaldson Lufkin & Jenrette Securities of tbe US raised earnings estimates for Mobil and Amoco on the belief that the two companies are very close to announcing a joint venture combining their US refining and marketing operations.

The broker cited "a discussion with a well-placed Mobil employee" and said a Mobil-Amoco venture, long the subject of rumours, is virtually a "done deal".

It said a 50/50 merger would result in annual savings of $700m. And the prospects of a deal revived speculation tbat BP and Shell Transport would be interested in finding partners.

BP, which already has a joint venture with Mobil in Europe, gained 22½ to 912p. Profit forecasts are still being moved higher following encouraging figures last week. Merrill Lyncb has increased its current year net income figure hy £110m to £2.65hn. Shell, which has suffered since disappointing interim figures last week, regained 9 to 449½p.

A broker's recommendation powered engineering group GKN to a record close. The shares jumped 36½ to £12.71, a new high for the stock as some 1.7m cbanged bands.

US investment bank Lehman Brotbers yesterday upgraded its recommendation on GKN from "neutral" to "outperform" in the wake of the group's better than forecast interim figures published last week.

Profits came in 12 per cent higher at £203m, well ahead of market expectations of around £187m and the £181m it reported a year earlier.

The team at Lehman also upgraded profit expectations for the current year by £24m to £402m and raised the following year's estimate by a more modest £7m to £436m.

In a note to clients, the team at the bank said: "The group has a strong position in the emerging markets which will continue to to provida further above average growth.

"The acquisition of Sinter Metals Inc was only consolidated for one month providing little contribution. GKN will start to feel the benefits from the growtb in this market in the second half and into 1998."

SmithKline Beecbam led pharmaceutical shares lower in early trade following a slide in the US drug sector on Monday. The shares rallied later to close 10 up at £11.51½. But Zeneca sank 17½ to £19.46½ while Glaxo Wellcome dipped 13 to £12.75.

US drug stocks had fallen after after Morgan Stanley cut its weighting in the sector to "market weighting" from "overweight". Morgan Stanley turned more cautious about the outlook for the global industry because of imminent big patent expiries.

Phase II trials for the treatment of chronic bronchitis boosted Cortecs International 21½ to 237½p.

Barclays rose 23½ to £14.41½ with Mr Tony Sykes, BZW's banking analyst, telling clients the stock was worth up to £19.00.

Tbe planned merger between Credit Suisse and Winterthur of Switzerland stimulated demand for asset management groups as analysts argued that the £5.8bn agreed bid pointed the way to further corporate activity within the sector. Mercury Asset Management improved 23½ to £13.93½, Schroders 49 to £18.95 and Close Bros 25½ to 459p.

Among telecoms, BT remained a good trade and volume was again heavy reaching 22m by the close. The total volume included a single trade of 8m done at 393p. The shares remained in demand and put on 13 to 399½p.

Mobile telephones group Orange was wanted ahead of tomorrow's interim figures. The shares appreciated 7 to 216p, having traded 7.7m. The stock was also busy in the traded options where the equivalent of an additional 1m was dealt.

United Utilities trickled off 2 to 709p as Sir Desmond Pitcher, the controversial chairman of the water and electricity group, deferred resignation calls at least until the autumn.

An improved performance in the US helped Sedgwick, the insurance hroker, increase first-half profits although the company also highlighted weak insurance rates and the adverse impact of the pound. The shares ended 3½ up at 122½p.

General Accident was flat at 945½p despite strong first-half figures.

BOC fell 25 to £11.45 as the group failed to inspire with middle of the road results. Profit-taking eroded gains posted after the release of the nine-month figures.

Holliday Chemical gained 23½ to 176½p after first half results, positive comment on the performance of its Uquifa unit and an upbeat statement on prospects for the second half.

Analysts raised full-year forecasts. Nikko is now looking for Holliday to make £23m to £24m this year, np from an earlier estimate of £19.5m. HSBC James Capel is expecting at least £25m.

Meanwhile, Brent International gained 4½ to 79½p with Sutherlands arguing that the stock had been left behind in the recent sector re-rating and could easily move back over 100p.

Specialist printer De La Rue fell 12 to 418½p on talk of an agency cross of 1.3m shares at 415p a share. Also, BZW downgraded the company to a "sell" and cut its profit forecasts for 1998 to £110m from £115m and its 1999 forecast by £15m to £115m hecause of margin pressure at the hanknotes division.

Bargain hunters helped shares in J. Sainshury recover from an early decline that followed reports that HSBC James Capel had advised clients to switch out of the stock and into Asda Group and Safeway.

Sainshury ended the day 16½ ahead at 455p, following heavy trade of 8.5m. Asda hardened 4 to 150½p, while Safeway gained 12 to 396½p with some 4m having been dealt hy the close.

"General catching up for stock that has heen left behind in the recent run" is how one dealer described yesterday's advance in industrial group BTR.

The shares gained 10 to 199½p, making them the strongest performer among FTSE 100 constituents. Turnover was a busy 18m.

Hotels and leisure giant Ladbroke, whose Ladbroke Clubs unit was granted a new London casino licence earlier this week, improved 8 to 256½p. Dresdner Kleinwort Benson was said to have urged investors to buy the stock.

A cautious outlook left Glynwed International trailing 10½ to 241½p.

FT 30 INDEX

	Aug 12	Aug 11	Aug 8	Aug 7	Aug 6	Yr ago	*High	*Low
FT 30	3226.5	3205.9	3216.3	3222.3	3159.7	2796.2	3222.3	2668.8
Ord. div. yield	3.40	3.41	3.40	3.39	3.45	4.09	4.22	3.38
P/E ratio net	19.01	18.94	18.99	18.07	18.79	16.89	19.07	15.80
P/E ratio nil	18.82	18.75	19.80	19.98	18.57	18.72	18.88	15.71

FT 30 since compilation: high 3128.1 16/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3217.1	3224.4	3212.2	3210.9	3205.7	3208.9	3213.7	3216.8	3228.1	3230.0	3205.5

	Aug 12	Aug 11	Aug 8	Aug 7	Aug 6	Yr ago
SEAQ bargains	49,831	54,142	59,362	58,973	49,077	29,842
Equity turnover (£m)†	-	NA	3294.8	3589.9	2778.5	1482.8
Equity bargains†	-	NA	52,076	52,411	43,964	33,608
Shares traded (ml)†	-	NA	885.4	995.5	790.4	539.0

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,094	Total Highs	157	Total contracts	34,021
Total Falls	429	Total Lows	51	Calls	17,774
Same	1,568			Puts	16,247

*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5090.0	5115.0	+53.0	5125.0	5056.0	9239	71838
Dec	5160.0	5181.0	+54.0	5180.0	5130.0	304	6326
Mar		5228.0	+56.0			0	221

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4715.0	4745.0	+35.0	4740.0	4715.0	12	[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*5076) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	4,923	238	220½	Billiton	[illegible]					
*	F.P.	7.14	74½	70½	†Blakes Clothing	[illegible]					
-	F.P.	134.7	108¾	101	Bristol & W Prf	[illegible]					
§100	F.P.	30.0	142½	109½	Cammell Laird	[illegible]					
§260	F.P.	15.9	275	265	Delcam	[illegible]					
	F.P.	-	116	114	EMI B	[illegible]					
*	F.P.	9.92	117½	117½	Fairfield Ents	[illegible]					
§3	F.P.	4.61	3¾	3½	†Fairplace Cnslg	[illegible]					
§-	F.P.	8.56	65	65	†GR Holdings	[illegible]					
§150	F.P.	235.9	202	162½	Galen Hldgs	[illegible]					
§	F.P.	24.9	162½	117½	Gremlin Group	[illegible]					
§125	F.P.	6.02	135	102½	†Helicon Publsg	[illegible]					
§	F.P.	572.0	396½	380	Ionica	[illegible]					
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	[illegible]					
*	F.P.	-	79½	77	†Lepco	[illegible]					
§173	F.P.	44.6	217½	185½	Metroline	[illegible]					
100	F.P.	32.7	112½	99½	Reabourne Merlin	[illegible]					
§100	F.P.	7.63	120½	105½	†SBS Group	[illegible]					
-	F.P.	-	37½	37½	Severn Trent B	[illegible]					
-	F.P.	-	47½	42½	†Skeltor Warrants	[illegible]					
§	F.P.	56.7	140½	136½	Ted Baker	[illegible]					
	F.P.	-	22¾	19½	Thorn B	[illegible]					
-	F.P.	80.5	88½	80	Vigien Tech	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 11	% chg on day	Aug 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1464.12	+0.8	1443.24	2043.26	2.18	-	2061.06	1276.14
■ Regional Indices								
Africa (14)	1443.65	+2.1	1413.43	2625.34	5.34	23.83	2696.89	1324.06
Australasia (6)	1477.57	+0.6	1469.32	2392.06	3.56	17.11	2455.10	1338.10
North America (11)	1470.91	+0.3	1465.91	1632.69	0.96	74.73	1854.46	1244.23

Copyright, FTSE International Limited 1997. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 12	Day's chge%	Aug 11	Aug 8	Aug 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5075.8	+0.9	5031.9	5031.3	5086.8	3823.4	3.29	2.08	18.65	107.83	2174.83
FTSE 250	4700.4	+0.6	4671.8	4650.5	4598.2	4346.1	3.53	1.58	22.42	98.32	1968.81
FTSE 250 ex IT	4689.2	+0.6	4669.9	4644.5	4588.4	4380.2	3.67	1.61	21.18	101.50	1974.19
FTSE 350	2438.0	+0.8	2418.1	2415.8	2432.3	1914.3	3.31	1.96	19.26	51.66	2133.28
FTSE 350 ex IT	2438.9	+0.8	2418.9	2416.4	2433.7	-	3.33	1.97	18.02	18.57	1094.46
FTSE 350 Higher Yield	2318.7	+0.9	2297.5	2297.0	2310.0	1840.7	4.52	1.80	15.34	64.13	1723.08
FTSE 350 Lower Yield	2558.7	+0.7	2537.9	2534.0	2553.7	1995.3	2.34	2.21	24.17	38.19	1827.25
FTSE SmallCap	2228.83	+0.5	2219.67	2209.78	2187.15	2126.19	3.21	1.74	22.36	43.80	1898.18
FTSE SmallCap ex IT	2183.55	+0.5	2172.92	2160.41	2147.41	2118.28	3.51	1.82	19.53	47.24	1876.14
FTSE All-Share	2376.39	+0.8	2357.52	2354.83	2369.07	1891.82	3.30	1.95	18.43	50.11	2110.22
FTSE All-Share ex IT	2377.25	+0.8	2358.07	2355.17	2370.41	-	3.34	1.96	18.04	18.17	1085.86

FTSE Actuaries Industry Sectors

	Aug 12	Day's chge%	Aug 11	Aug 8	Aug 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	5048.33	+1.9	4957.45	4985.33	5074.38	3580.76	3.05	1.84	21.13	98.75	2265.84
12 Extractive Industries(5)	4478.03	+0.3	4465.49	4482.87	4315.93	4161.27	3.52	2.38	14.82	104.60	1368.79
15 Oil, Integrated(3)	5356.92	+2.3	5237.45	5270.87	5407.01	3675.86	3.15	1.86	21.30	107.40	2473.40
16 Oil Exploration & Prod(12)	3827.62	-0.4	3844.71	3847.38	3889.67	2538.08	1.50	2.23	37.42	38.65	2345.60
20 GEN INDUSTRIALS(283)	2065.92	+0.7	2070.74	2061.41	2026.80	2014.38	3.83	1.92	16.86	47.22	1195.32
21 Building & Construction(35)	1380.25	....	1380.68	1371.80	1344.29	1150.58	3.24	1.95	19.92	26.37	1201.76
22 Building Mats & Merchs(30)	1950.87	-0.3	1956.96	1935.48	1887.87	1864.87	4.13	2.82	10.71	42.27	1031.41
23 Chemicals(26)	2790.40	.....	2789.20	2779.76	2745.79	2376.79	3.65	1.63	21.02	60.42	1389.87
24 Diversified Industrials(15)	1395.83	+2.2	1365.39	1367.60	1362.66	1566.37	5.34	1.97	11.90	46.48	833.10
25 Electronic & Elect Equip(37)	2204.64	+0.2	2200.85	2196.23	2165.84	2304.78	3.72	1.57	21.48	48.65	1198.67
26 Engineering(66)	2813.60	+1.4	2774.88	2760.74	2707.06	2447.16	2.99	2.33	17.96	52.34	1776.39
27 Engineering, Vehicles(13)	3220.44	+0.9	3191.18	3165.90	3073.05	3046.27	3.14	‡	‡	54.42	1733.63
28 Paper, Pckg & Printing(27)	2156.39	+0.7	2141.43	2140.90	2112.42	2658.46	4.83	1.80	14.19	81.09	944.18
29 Textiles & Apparel(14)	1027.32	+0.2	1025.68	1022.60	1011.04	1256.79	6.81	0.98	18.57	41.67	676.05
30 CONSUMER GOODS(84)	4653.15	+0.4	4632.89	4666.24	4733.20	3570.25	3.29	1.83	20.76	114.41	1807.20
32 Alcoholic Beverages(7)	3349.69	+1.8	3306.09	3340.23	3344.84	2814.64	3.75	1.98	16.74	90.98	1278.99
33 Food Producers(25)	3207.76	+0.4	3194.15	3192.82	3191.67	2522.91	3.44	1.65	18.61	69.99	1520.95
34 Household Goods(17)	3158.54	+0.2	3151.42	3183.63	3255.56	2567.89	3.22	2.32	16.74	54.29	1298.74
36 Health Care(14)	2277.21	-0.5	2288.07	2286.67	2271.29	2007.76	2.60	1.69	28.41	36.49	1430.35
37 Pharmaceuticals(18)	7456.77	-0.2	7474.89	7540.97	7748.69	5235.16	2.50	1.73	28.95	153.36	2634.49
38 Tobacco(3)	4348.22	+3.0	4223.31	4267.20	4297.83	3947.43	6.48	1.91	10.68	225.73	1178.61
40 SERVICES(272)	2764.11	+1.0	2737.89	2729.12	2740.51	2533.80	2.90	1.97	21.88	50.80	1484.14
41 Distributors(30)	2870.44	+1.5	2827.70	2798.33	2769.93	2787.85	3.27	1.95	19.63	54.79	1101.24
42 Leisure & Hotels(31)	3215.57	+0.6	3197.77	3183.92	3166.64	3165.12	2.89	1.92	22.53	70.16	1785.67
43 Media(43)	4217.72	+0.8	4183.37	4151.74	4204.55	4231.20	2.38	1.92	27.39	71.72	1571.34
44 Retailers, Food(15)	2471.98	+2.6	2410.50	2412.87	2454.57	2043.88	3.36	2.26	16.49	47.61	1646.95
45 Retailers, General(53)	2238.52	+0.8	2226.22	2227.83	2225.92	2101.92	3.18	2.04	19.44	44.81	1336.98
47 Breweries, Pubs & Rest.(22)	3395.42	+1.3	3351.14	3346.51	3375.85	3120.08	3.34	2.29	16.38	82.74	1698.25
48 Support Services(55)	3117.66	+0.5	3103.12	3084.83	3047.74	2473.53	1.65	2.47	30.63	28.84	2033.04
49 Transport(23)	2883.53	+0.6	2865.64	2856.72	2870.38	2379.99	3.48	1.23	29.16	61.15	1256.58
60 UTILITIES(31)	3066.92	+1.4	3043.23	3038.09	3040.82	2334.91	4.67	1.44	18.62	71.64	1435.17
62 Electricity(9)	3355.62	+0.3	3345.02	3320.82	3352.91	2459.15	5.29	2.01	11.74	92.77	1895.97
64 Gas Distribution(2)	2380.36	+2.9	2313.07	2262.60	2272.70	1326.02	5.12	‡	‡	54.50	1347.77
66 Telecommunications(6)	2404.93	+2.0	2357.54	2377.23	2360.64	1872.01	3.84	1.53	21.29	44.58	1157.10
68 Water(12)	2872.26	+0.2	2865.89	2850.73	2874.25	2236.26	5.76	2.27	9.55	90.96	1719.93
69 NON-FINANCIALS(670)	2374.50	+1.0	2351.42	2352.50	2362.16	1993.18	3.44	1.82	19.95	50.61	1893.81
70 FINANCIALS(104)	4786.68	+0.3	4772.05	4741.85	4806.73	3070.32	3.05	2.45	18.74	102.17	2167.08
71 Banks, Retail(10)	7491.88	+0.2	7475.36	7436.03	7582.02	4390.15	2.79	2.57	17.45	152.23	2572.35
73 Insurance(16)	1885.29	-0.5	1895.63	1869.53	1872.73	1472.17	4.60	2.89	9.43	56.48	1508.43
74 Life Assurance(7)	5052.54	+1.1	4998.54	4922.83	4943.99	3403.22	3.40	2.32	15.84	121.00	2206.96
77 Other Financial(28)	3372.75	+1.5	3322.33	3323.66	3315.14	2577.63	3.13	1.99	20.09	66.44	2012.94
79 Property(43)	2030.77	+0.2	2027.35	2021.25	2017.54	1605.19	3.22	1.32	29.31	35.42	1308.93
80 INVESTMENT TRUSTS(127)	3584.60	+0.4	3570.38	3578.26	3551.31	3140.20	2.12	1.17	50.39	45.26	1288.99
89 FTSE All-Share(901)	2376.39	+0.8	2357.52	2354.83	2369.07	1891.82	3.30	1.95	19.43	50.11	2110.22
105 FTSE All-Share ex IT(774)	2377.25	+0.8	2358.07	2355.17	2370.41	-	3.34	1.96	18.04	18.17	1085.86
FTSE Fledging	1251.10	+0.3	1247.49	1243.36	1237.27	1226.74	3.25	0.93	41.50	24.89	1357.01
FTSE Fledging ex IT	1246.36	+0.3	1242.45	1236.31	1230.66	1238.90	3.84	0.92	37.36	25.31	1354.16
FTSE AIM	1025.0	+0.1	1024.0	1018.3	1014.5	-	1.04	0.94	80.00†	4.79	940.46

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5057.7	5065.8	5053.1	5052.6	5042.6	5050.0	5056.9	5063.1	5076.4	5078.2	5041.8
FTSE 250	4676.2	4682.8	4684.3	4689.2	4690.7	4690.7	4694.5	4696.4	4699.5	4700.5	4676.2
FTSE 350	2428.6	2432.4	2427.6	2427.9	2424.1	2427.0	2430.1	2432.7	2438.2	2438.9	2423.8
FTSE SmallCap	2221.31	2223.09	2225.05	2225.80	2226.57	2227.30	2227.80	2226.07	2228.63	2228.84	2221.31
FTSE All-Share	2367.28	2370.97	2366.64	2366.96	2363.55	2366.25	2369.06	2371.49	2376.62	2377.15	2363.23

Time of FTSE 100 Day's high: 3:44 PM Day's low: 11:38 AM. FTSE 100 1997 High: 5075.8 (12/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 3:44 PM Day's low: 11:38 AM. FTSE All-Share 1997 High: 2376.40 (12/08/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: Govett Global Smlr (FTSE Fledging). HSBC Net Cover and PE ratio have been restated from 12 Aug, figures for period 4 Aug to 11 Aug will also be restated, please fax FTSE International on 0171-448-1804 for details.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FTSE 100 index constituent.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 12 / Sch)

BELGIUM/LUXEMBOURG (Aug 12 / Frs.)

CZECH REP (Aug 12 / Koruna)

DENMARK (Aug 12 / Kr)

FINLAND (Aug 12 / Mka)

FRANCE (Aug 12 / Frs.)

GERMANY (Aug 12 / Dm.)

GREECE (Aug 12 / Drachma)

ITALY (Aug 12 / Lira)

NETHERLANDS (Aug 12 / Fls.)

NORWAY (Aug 12 / Kroner)

POLAND (Aug 12 / Zloty)

PORTUGAL (Aug 12 / Escudo)

SPAIN (Aug 12 / Pts.)

SWEDEN (Aug 12 / Kronor)

SWITZERLAND (Aug 12 / Frs.)

TURKEY (Aug 12 / Tk Lira)

PACIFIC

JAPAN (Aug 12 / Yen)

HONG KONG (Aug 12 / H.K.$)

INDONESIA (Aug 12 / Rupiah)

MALAYSIA (Aug 12 / MYR)

NEW ZEALAND (Aug 12 / NZ $)

SINGAPORE (Aug 12 / S$)

AUSTRALIA (Aug 12 / Aust$)

SOUTH KOREA (Aug 12 / Won)

TAIWAN (Aug 12 / TW $)

THAILAND (Aug 11 / Baht)

AFRICA

SOUTH AFRICA (Aug 12 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 12 / Can $)
4 pm close

MONTREAL (Aug 12 / Can $)
4 pm close

INDICES

	Aug 12	Aug 11	Aug 8	1997 High		1997 Low	
Argentina							
General(29/12/77)	(c)	24836.65	24577.80	24817.86	6/8	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2650.5	2667.2	2711.4	2745.80	3/7	2352.20	1/4
All Mining(1/1/80)	831.6	830.7	841.4	987.19	24/2	830.70	11/8
Austria							
Credit Aktien(30/12/84)	458.05	456.94	460.30	469.82	1/8	374.40	9/1
Traded Index(2/1/91)	1430.30	1425.59	1432.57	1466.49	31/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2451.95	2420.57	2431.48	2621.30	28/7	1971.05	2/1
Brazil							
Bovespa(29/12/83)	(c)	11949.0	12129.0	13617.00	8/7	6885.50	2/1
Canada							
Metals Minls♦(1975)	(c)	5368.61	5402.71	5991.78	10/3	4848.96	11/4
Composite♦(1975)	(c)	6840.40	6865.20	6945.10	7/8	5672.30	14/4
Portfolio§§(4/1/83)	(c)	3438.41	3476.24	3504.83	7/8	2848.02	11/4
Chile							
IGPA Gen¥(31/12/80)	(c)	5541.81	5582.91	5988.71	4/7	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	631.44	633.16	635.61	658.29	17/7	470.14	2/1
Finland							
HEX General(28/12/90)	3629.36	3600.54	3609.73	3686.86	7/8	2483.28	2/1
France							
SBF 250(31/12/90)	1956.86	1950.14	1960.87	2003.43	31/7	1533.19	2/1
CAC 40(31/12/87)	2998.57	2983.44	2986.27	3075.67	31/7	2289.97	2/1
Germany							
FAZ Aktien(31/12/58)	1461.50	1444.21	1463.13	1481.44	31/7	986.21	2/1
Commerzbank(1/12/53)	4268.70	4221.40	4279.2	4336.70	31/7	2876.80	2/1
DAX‡(30/12/87)	4363.09	4333.13	4354.15	4438.93	31/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1631.68	1631.62	1639.44	1727.70	23/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	16363.41	16460.47	16647.54	16673.27	7/8	12055.17	3/4
India							
BSE Sens.(1978)	4425.03	4481.30	4387.54	4548.02	5/8	3226.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	662.95	658.17	675.43	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3723.61	3708.97	3725.99	3725.99	8/8	2725.07	2/1
Italy							
Banca Comm Ital(1972)	910.68	906.73	920.97	959.18	23/7	642.55	2/1
MIB General(2/1/97)	1369.0	1363.0	1384.0	1442.00	23/7	991.00	2/1
Japan							
Nikkei 225(16/5/49)	19099.11	18824.16	19804.46	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	288.76	285.42	294.47	300.71	28/7	251.04	22/1
Topix(4/1/68)	1475.85	1458.68	1503.27	1560.28	25/6	1320.82	10/4
2nd Section(4/1/68)	1659.23	1660.86	1682.20	1846.26	30/6	1316.58	15/4
Malaysia							
KLSE Comp.(4/4/86)	887.25	902.14	932.36	1271.57	25/2	887.25	12/8
Mexico							
IPC(Nov 1978)	(c)	5043.85	5075.05	5212.88	6/8	3253.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	1149.0	1140.0	1164.2	1194.60	7/8	730.80	2/1
CBS All Shr(End 83)	663.8	658.6	672.60	694.40	7/8	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2498.08	2508.40	2538.45	2575.82	30/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2189.71	2187.93	2202.41	2217.38	7/8	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2535.40	2572.43	2647.82	3447.80	3/2	2488.38	20/5
Portugal							
BVL 30(4/1/93)	3585.39	3548.40	3675.11	3693.95	7/8	2165.87	2/1
Singapore							
SES All-S'pore(2/4/75)	483.67	481.28	488.94	573.03	17/2	479.94	29/4
South Africa							
JSE Gold(28/9/78)	1017.1¥	1018.3	995.60	1588.10	27/2	903.80	7/7
JSE Indl.(28/9/78)	9267.7¥	9239.4	9283.4	9314.20	7/8	7868.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	762.92	765.07	762.01	792.29	17/6	631.05	7/1
Spain							
Madrid SE(30/12/85)	597.99	595.46	596.13	609.15	7/7	434.54	2/1
Sweden							
AffarsvaldsGen(1/2/37)	3306.3	3263.2	3261.7	3315.60	7/8	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5808.4	5825.5	5864.8	6012.80	6/7	3622.30	7/1
SPI General(1/6/87)	3713.35	3715.18	3738.00	3788.70	8/7	2808.22	6/1
Taiwan							
Weighted Pr.**(30/6/66)	9807.74	9897.27	9923.84	10066.36	31/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	(c)	632.25	636.85	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat 100(1986)	2086.00	2032.00	2040.00	2068.89	7/8	995.00	3/1
WORLD							
MS Capital Intl(1/1/70)	963.6*	960.4	965.9	981.80	31/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2757.29	2753.17	2773.83	2794.80	7/8	1883.30	2/1
FTSE E 100(26/6/90)	2314.56	2299.71	2304.24	2355.90	7/8	1582.99	2/1
HSBC JC Drgn(31/12/88)	(u)	422.76	430.71	434.83	6/8	381.83	25/4
MS Emrgs Emrg(7/1/92)	187.98	189.06	191.09	196.81	9/7	158.74	3/1

INDEX FUTURES

■ CAC-40 (MATIF/MONEP) (200 x Index)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	3018.0	3005.0	+8.0	3021.0	2990.0	8,320	25,755
Sep	3028.5	3013.5	+5.5	3029.0	2998.0	502	23,778

■ DAX

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	4359.5	4388.0	+56.0	4401.0	4357.5	18,382	97,525
Dec	4397.5	4422.0	+64.0	4430.0	4397.5	235	3,318

■ OMX

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2680.00	2677.00	+16.0	2690.00	2662.0	4,383	22,569
Sep	2700.00	2698.25	+15.5	2700.00	2676.5	1,824	2,108

■ SOFFEX

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	5849.0	5810.0	-9.00	5859.0	5790.0	7,414	19,849
Sep	5855.0	5819.0	-10.0	5860.0	5815.6	2,781	1,774

– Sat Aug 9 ; Taiwan Weighted Price 6883.54; Korea Comp Ex. 780.84. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 25 Ind – 264.3, IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 12 – 4377.51 +44.38 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	Aug 11	Aug 8	Aug 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8062.11	8031.22	8188.0	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.19	104.23	104.33	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2934.16	2937.02	2993.66	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	232.89	229.82	232.89	240.85 (22/1)	209.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8122.27 (8170.68) Low 7922.52 (7961.97) (Theoretical♦)
Day's high 8078.51 (8184.05) Low 7964.50 (7976.40) (Actual♦)

Standard and Poors	Aug 11	Aug 8	Aug 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	937.00	933.54	951.19	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¥	1103.34	1101.56	1121.93	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	107.40	106.04	108.36	111.86 (31/7)	80.75 (2/1)	111.86 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	485.21	483.79	492.82	497.00 (6/8)	385.47 (11/4)	497.00 (6/8/97)	4.64 (25/4/42)
Amex Comp.	644.35	646.15	652.07	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	534.20 (16/7/96)
NASDAQ Cmp	1586.74	1598.52	1624.18	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 8	Aug 1	Jul 25	Year ago
Dow Jones Ind. Div. Yield	1.61	1.58	1.60	2.21
	Aug 6	Jul 30	Jul 23	Year ago
S & P Ind. Div. yield	1.47	1.49	1.50	2.03
S & P Ind. P/E ratio	26.35	26.05	25.77	21.16

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Coca Cola	12,642,800	61⅞	-1¼
Compaq	9,721,500	59⅝	-2
AT &T	9,897,800	41¼	+1¼
Pfizer	5,635,600	54⅞	-⅜
Micron Tech	5,251,000	55⅛	-1⅛
GEC	5,202,800	67⅝	+½
Ph Morris	4,989,900	45⅞	+1⅛
EDS	4,912,900	36¼	-1
Merck	4,777,000	95¼	-3½
John& John	4,406,300	58⅝	-¾

■ TRADING ACTIVITY

● Volume (million)

	Aug 11	Aug 8	Aug 7
New York SE	473.633	561.302	576.032
Amex	23.153	27.121	25.268
NASDAQ	623.832	703.220	758.318
NYSE			
Issues Traded	3,366	3,379	3,359
Rises	1,349	525	1,221
Falls	1,493	2,472	1,581
Unchanged	524	383	577
New Highs	90	64	332
New Lows	13	17	10

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	942.20	945.60	+9.20	945.60	940.50	69,353	183,674
Dec	953.50	955.50	+9.00	955.50	953.30	406	6,887

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	18950.0	19100.0	+320.0	19250.0	18810.0	30,047	181,598
Dec	18960.0	19070.0	+290.0	19080.0	18950.0	549	10,227

Open interest figures for previous day.

Prices supplied by Telekurs, part of FT information. Prices at 15.00 GMT... † Priced in US $.

♣ FT Free Annual Reports Service

You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8067, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 12, 1997

	Stocks Traded	Closing Prices	Change on day
Hachijuni Bank	7.3m	1120	+30
Yamaichi Secs	6.3m	280	+21
Sakura Bank	5.6m	700	+2
Fujita Corp	4.8m	105	+8
Fujitsu	4.5m	1610	+30
Toshoku	4.3m	141	-9
NKK Corp	3.9m	193	+4
Nippon Steel Cp	3.8m	306	+6
LTCB	3.2m	550	-6
Daiwa Bank	3.2m	580	+10

NEW YORK STOCK EXCHANGE PRICES

4 pm close August 12

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
38 7/16	24 1/4	AAR c	0.48	1.4	20	453	34	33 5/16	33 1/8	-5/8
53 3/4	33 1/8	AMP x	1.04	2.1	42	2525	51 3/4	50 1/4	50 1/2	-1
110 1/16	78 1/4	AMR			8	3517	105 13/16	102 13/16	103 3/8	-2 1/16
37 5/8	29 1/2	ASA	1.20	3.8	20	228	31 3/8	31 1/16	31 3/16	-1/16
68 13/16	49 3/4	AbbtL x	1.08	1.7	25	15795	64 13/16	63 3/4	63 13/16	-1/8
20 1/2	14 1/8	Abitibi	0.40	2.2	8	310	18 3/4	18 1/4	18 3/16	-1/16
25	17 5/8	ABM Ind	0.40	1.7	21	98	24	23 13/16	23 13/16	+1/16
24 1/8	17 3/4	Acptocin			10	128	21 7/16	21 1/2	21 3/8	+1/8
67 1/4	55 1/8	ACE Ltd	0.60	1.1	11	457	08	52 1/16	62 5/8	-1 5/8
10 3/4	10	ACM Grt In x	0.80	8.7	11	467	10 3/8	10 1/4	10 3/8	
8	7	ACM GvOpp x	0.63	8.2		28	7 13/16	7 5/8	7 13/16	+1/16
10 1/16	9 1/4	ACM Man x	0.80	9.1		153	9 13/16	9 7/8	9 13/16	
10 3/8	6 1/8	Acme Elect				38	6 1/2	6 1/4	6 1/4	-1/16
20	13	Acme Mills				60	15 3/8	14 3/4	14 1/4	-1/4
22 11/16	14	ACNielsen			38	604	21 7/8	21 5/8	21 13/16	-1/16
29 3/4	19 1/8	Acuson				792	25 3/4	25 1/16	25 3/16	-1/16
24 3/8	19 3/8	Adams Expr	0.55	2.3	1	183	24 1/16	24	24	-1/16
48 1/2	24 7/8	AdvMic				6775	36 1/4	35 13/16	35 3/4	+1/16
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	457	22 5/16	21 1/2	22 5/16	+7/8
18 3/4	11 3/8	Advo Inc			11	1324	18 7/16	10	18	-3/8

[illegible]

- B -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
92	70	Bkbos0.59	5.58	6.2		5	90	08	08	
49 3/16	45 1/2	BkbostnA	3.04	0.3		z100	48 1/2	48 1/2	48 1/2	-1/4
104 5/8	74	BnkTel	4.00	4.1	13	4552	100 7/8	98 7/16	98 15/16	-1 11/16
92	63 3/4	Bclays	2.14	2.4	12	87	00 1/8	90 3/8	90 1/2	+3/4
20	26 3/8	Bard (C R)	0.72	2.0	23	728	37 1/16	36 1/4	36 3/8	-1/16
30 1/4	19 13/16	Barnes Grp	0.67	2.4	14	105	27 7/8	27 1/2	27 5/16	-3/16
57 13/16	39	BarnBk	1.24	2.3	17	4281	54 3/8	53 5/8	53 13/16	-5/8
28 3/4	19 3/8	BrckGd	0.18	0.7	45	6872	23 5/8	23 1/16	23 7/16	-1/4
13 1/8	9 1/2	Barry(RG)			10	218	u13 1/8	12 3/4	13	
7 5/8	5 1/16	BattMt c	0.05	0.0		1880	5 13/16	5 13/16	5 13/16	
47 7/8	32 1/8	Bausch	1.04	2.5	43	1942	43	41 5/8	42 1/16	-1/4
60 1/4	39 7/8	Baxter	1.13	2.1	58	3759	55	54 1/16	54 1/2	
33 7/16	15 3/8	BayNtwks				17092	32 3/16	30 13/16	30 7/8	-1/16
28 1/4	25 3/8	Bay St Gas	1.58	5.5	11	197	u28 7/8	28 3/16	28 5/8	+7/16
20 7/8	19 1/8	Bd Tr 1838	1.52	7.6		53	20 1/8	20 1/16	20 1/16	-1/16
6 1/8	7 1/2	BEA Inc x	0.72	0.7		497	u8 3/8	8 1/16	8 1/16	

NYSE PRICES

4 pm close August 12

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. xs-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-6135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

AMEX PRICES

4 pm close August 12

NASDAQ NATIONAL MARKET

4 pm close August 12

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875	Lernout & Hauspie	US$29.125		2900	34	25
Artwork Systems	US$9		6500	11.125	9	Mercer Int'l	US$10.625	-0.125	0	11.75	8.125
Chemunex	FFr10.5		0	18	10.5	NTL	US$22.25	-0.375	0	25.125	21.625
Debonair Holdings	GBP7.1	+0.2	109200	7.15	4.5	PixTech	US$3.625		0	6.125	3.5
Dr Solomon's ADS	US$26.25	-0.125	0	28.375	16.875	Schoeller-Bleckmann	Sch1285		460	1303	900
EDAP TMS	US$8.5		0	9.125	8.375	Topcall Int'l	Sch3325	-10	400	3363	3065
Esprit Telecom ADS	US$6.5		0	12.25	5.375	Turbodyne Technol	US$3.85		400	3.98	3.85
Innogenetics	US$16.25	-0.125	28650	12.75	16.125						

Prices for 12/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 227 65 20) and in London (Tel 44-171 489 9890).

* FINANCIAL TIMES Wednesday August 13 1997

Dow dips in mixed early session

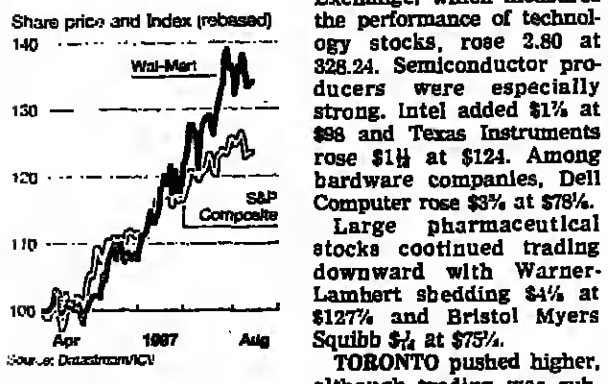
AMERICAS

Wall Street had a mixed morning with technology stocks rebounding from Monday's losses but blue-chips staying mostly weak, *writes John Labate in New York.*

In early afternoon trading the Dow Jones Industrial Average dipped 6.27 at 8,055.84. The broader Standard & Poor's 500 index rose by less than one point at 937.98.

Technology stocks staged a comeback after Monday's sharp sell off. The Nasdaq composite gained 9.23 at 1,595.97.

Wal-Mart



Source: Datastream/ICV

"There's been a bit of a bounce back of stocks that were sold hard yesterday, and also continuing strength in international oil and regional telephone stocks," said Mr Doug Cliggott, US equity strategist at J.P. Morgan in New York.

"Buying in oil and local telecoms is based on above-market yields and the belief that those sectors will outperform the market during the next three to six months," added Mr Cliggott.

Among the morning gainers were Mobile Oil, which rose \$1⅛ at \$77⅞ and SBC Communications, which was \$1⅛ higher at \$59¼. Long distance company stocks were more mixed. AT&T lost \$1⅛ at \$40⅞.

Retail stocks also moved higher. Industry leader Wal-Mart rose ⅛ at \$37⅞ after reporting quarterly results in line with analysts' expectations. Rival J.C. Penney surged \$2¾ or nearly 5 per cent at \$60¾ after announcements that it planned to offer voluntary early retirement to its staff. K-mart also improved, gaining \$¾ at \$11¾.

Technology issues gained much of the ground lost on Monday. The Pacific Stock Exchange, which measures the performance of technology stocks, rose 2.80 at 328.24. Semiconductor producers were especially strong. Intel added \$1⅞ at \$98 and Texas Instruments rose \$1⅞ at \$124. Among hardware companies, Dell Computer rose \$3⅝ at \$78¼.

Large pharmaceutical stocks continued trading downward with Warner-Lambert shedding \$4⅛ at \$127⅞ and Bristol Myers Squibb \$⅞ at \$75¼.

TORONTO pushed higher, although trading was subdued. Most leaders notched up steady gains, notably Northern Telecom and golds. At the noon calculation, the 300 composite index was 7.13 ahead at 6,847.50.

Golds opened lower but swung round in mid-morning to lead the market higher at midsession. Barrick, a rare bright spot on Monday, gained a further 70 cents to C\$32.30 and Placer Dome advanced 60 cents to C\$24.75.

Alcan Aluminium hardened 20 cents to C\$53.15 and market heavyweight BCE added 15 cents at C\$41.35. Seagram gained 65 cents to C\$49.75.

Sao Paulo sees upside

SAO PAULO spun back on to the upside, reversing a recent losing streak ahead of today's derivatives expiry.

Institutional activity was light and foreign investors were "nowhere to be seen". But there was said to be patches of fairly frenetic dealing by local traders and the Bovespa index was up 136 or 1.1 per cent at 12,085 at midsession.

MEXICO CITY edged higher in dull volume. Telmex gained 5 centavos to 20.60 pesos and financial leader Bancomer added 7 centavos at 3.57 pesos. At midsession, the IPC index was 18.04 higher at 5,061.69.

SANTIAGO was equally subdued moving sideways in nominal trading volume. The IPSA index was off 0.18 at 132.19 at midsession.

BUENOS AIRES was described by brokers as lacklustre.

The Merval index dipped 1.52 to 854.81 at the close of morning trading.

CARACAS pushed ahead in good two-way trade with the IBC gaining 70.09 to 9,332.70 at midsession.

Johannesburg falls off highs

South African shares finished off their highs, failing to react positively to better than expected June producer inflation data. De Beers Consolidated Mines' disappointing results overshadowed the inflation figures, with the JSE focusing on the market leader's surprisingly high tax charge.

The overall index ended off 3.2 at 7,579.9, the industrial index finished up 28.3 at 9,267.7 and the gold index rose 0.8 to 1,017.1.

In the broader market, advancing issues led declining issues by 215 to 157, with 157 issues unchanged. Turnover was R970m.

Chemicals firm Sentrachem added 55 cents to a new annual high of R10.80 as jobbers bought stock on expectations that US chemical company Dow Chemical would improve its buy offer after Sentrachem rejected the initial offer. Banking group NBS saw a bookover of 500,000 shares, boosting turnover to R68m and the shares up 25 cents at R100.

German equities rally as bonds improve

EUROPE

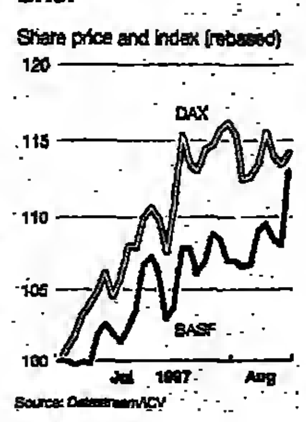
A better showing for bonds following the no change signal on interest rates from the Bundesbank sent **FRANKFURT** higher.

Reversing two days of *downswing*, the Dax rallied to an Ibis-indicated 4,377.51, up 44.36 on the day and 14.42 above the floor trading close.

The interim results from Henkel were top of the range and set an upbeat tone ahead of today's figures from rival chemicals leader Hoechst. Henkel rose DM5.50 to DM106.8 and Hoechst added DM2.19 at DM84.8.

Another strong sector performance came from BASF which reports half-year results tomorrow. BASF, which stood at DM63.00 in *the middle of June, finished* DM2.80 higher at DM74.66.

BASF



Source: Datastream/ICV

Among retailers, Karstadt jumped DM9.50 to DM708 on news of the links with Schickedanz, the privately owned group that owns Quelle, Europe's biggest mail order business. Schicke*danz has taken a 20 per cent* stake in Karstadt.

The takeover speculation among bank shares lost some of its recent fizz. The main focus appeared to switch from Commerzbank to Bankgesellschaft Berlin which rose DM3.15 to DM51.90. Deutsche Bank added DM1.60 at DM120.15 while Commerzbank ran into profit-taking, dipping 71pfg to DM68.40.

Medical stocks remained active. Altana, off steeply on Monday on news of shelved *clinical trials for* an anti-ulcer drug, recovered DM2.50 to DM146. Fresenius Medical Care rose DM6.30 to DM161.30 after forecasting an increase in earnings. Thyssen gained from merger optimism, adding DM10.20 at DM435.35. Volkswagen put on *DM32.50 to DM1,354* and Daimler Benz improved DM2.50 to DM149.5.

ZURICH ended lower. Market heavyweight Roche fell more than 1 per cent and there were sharp swings for both CS Group and Winterthur as analysts and investors struggled to put a valuation on their alliance.

The SMI index was off 17.2 at *5,808.4* at the close.

Investors concentrated almost exclusively on CS Group and Winterthur following *Monday's announcement* that CS is to buy the insurance group for SFr14.3bn. Opinions on the deal varied. Lehman Brothers described the acquisition as weak on industrial logic but strong *on financial* engineering.

Both sets of shares gyrated dramatically. CS, off 4.6 per cent at one stage, settled at SFr203.5, down SFr1.50. Winterthur had an even more volatile session, sliding by 5.6 per cent during the day only to close SFr7.00 better at SFr1,504.

Drugs leaders were mixed after a top US broker was said to have put out a negative *note on the sector. Roche fell* SFr165 to SFr14,140 but Novartis hardened SFr4.00 to SFr2,314. SBC added SFr2.00 to SFr417 ahead of today's interim numbers.

MILAN turned in one of the sharper European performances, climbing 1.8 per cent *on the Mibtel real-time* index which ended 225 higher at 14,600. Dealers said it was a surprisingly active two-way session for mid-August.

Energy giant Eni advanced L180 to L10,435 and there were a number of bright features elsewhere among leaders. Pirelli, aided by Monday's strong results from German tyre rival Continental, rose L105 to L4,827 and Telecom Italia surged L150 to L11,090.

AMSTERDAM rebounded after a two-day slide, but failed to hold on to early gains, closing only moderately higher. The AEX index was up 5.33 at 978.40 after reaching a high of 985.45.

The stronger dollar, higher bond prices and Wall Street's firmer overnight close boosted sentiment. The market was also relieved that there appeared to be no imminent threat of higher German interest rates.

Demand for oil stocks in London and on Wall Street rubbed off on Royal Dutch which added Fl 2.40 to Fl 114.80.

Publisher Elsevier clawed back after *taking* a pounding following the release of its results last week. The shares jumped Fl 1.10 or 3.4 per cent to Fl 33.90. Paper group KNP BT, tipped by many analysts to outperform after lagging other cyclicals, leapt Fl 2.00 to Fl 50.30.

Unilever's early gains were wiped out, leaving the share Fl 2.10 lower at Fl 477.90.

PARIS *was encouraged* by the Bundesbank's signal that interest rates would remain unchanged for the time being. The CAC 40 index ended a whisker off the 3,000 mark at 2,998.57, up 15.13.

Ahead of Friday's national holiday, volume was light at FFr5bn worth of shares. The only stock to shine was Michelin, which added 4 per cent or FFr14.20 *to* FFr372.20. The tyre maker, which announces first-half sales today, was the most active share of the day.

Investors bought into Michelin after German tyre maker Continental said on Monday first-half sales were 5 per cent higher.

HELSINKI closed higher led by demand for forestries on brokers' upgrades, while Nokia had a lacklustre day. The HEX index closed up 28.82 at 3,629.36 on turnover of FM863.73m.

The rally in the forestries sector, which rose 3.6 per cent, was largely attributable to an upgrade from *Goldman Sachs. An analyst* said investors wanted to "catch up" with recent *Swedish gains.*

Bullish results expectations for key forestry stocks Enso and UPM Kymmene also buoyed sentiment. UPM Kymmene led the gains, rising FM5.30 to FM148.60. Metsa-Serla, whose results were announced last week, picked up FM1.80 to FM51.20.

Merita was little changed ahead of its half-year report ending down FM0.20 at FM22.70.

STOCKHOLM was also led higher by forestries, which rose more than 3 per cent. The strong dollar aided sentiment, *taking the general index up 20.61 to 3,266.80.*

— Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — European series

August 12 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	999.27	+0.73	+7.20	2.26	0.00	1000.77
FTSE Eurotop 100	2314.56	+0.68	+15.25	-	-	-
FTSE Eurotop 300 Regions						
300 UK	997.48	+0.82	+8.16	3.28	0.00	1001.57
300 Ex-UK	1000.25	+0.78	+7.79	1.71	0.00	1000.28
300 Eurobloc	1000.29	+0.81	+8.03	1.89	0.00	1000.34
300 Ex-Eurobloc	998.53	+0.59	+5.88	2.57	0.00	1001.08
FTSE Eurotop 300 Economic Groups						
Resources	1022.22	+1.64	+16.53	2.71	0.00	1023.78
General Industries	1030.09	+1.08	+11.01	1.93	0.00	1030.48
Consumer Goods	969.28	+0.01	+0.06	1.82	0.00	971.54
Services	983.49	+0.66	+6.57	2.27	0.00	984.15
Utilities	962.39	+1.20	+11.39	3.28	0.00	966.41
Financials	1006.61	+0.36	+3.65	2.29	0.00	1009.23

Base value 1000. More information at http://www.ftse.com. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Tokyo rallies 1.5% as bargain hunters swoop

ASIA PACIFIC

Tokyo rallied from the low levels touched during Monday's 4 per cent shakeout to recapture the 19,000 mark, *writes Gwen Robinson.*

The Nikkei 225 average rose 274.93 or 1.5 per cent to 19,099.11 after moving between 18,917.49 and 19,257.23.

Investors sought bargains among large-scale contractors and leading blue chips from the outset. Sentiment was encouraged by New York's improvement overnight and signs of stability in the foreign exchange market. Analysts, however, said investors were shaken by Monday's market turmoil and remained sceptical of the short-term outlook.

In the current week-long Obon period of summer holidays, trading volumes are likely to remain thin, leaving the market open to manipulation by *large* players, warned Mr Paul Migliorato, manager of institutional equity sales at Jardine Fleming Securities.

Volume was virtually unchanged from Monday's 354m shares at 352m. Advances led declines 811 to 273 with 157 unchanged. The Topix index of all first-section stocks rose 16.17 to 1,475.85 and the capital-weighted Nikkei 300 was up 3.34 at 288.76.

Domestic blue-chips drew strong buying interest. Shiseido, Japan's leading cosmetics maker, rose Y110 to Y2,080 and Tokio Marine and Fire Insurance Y50 to Y1,500. General contractors rose after heavy declines in recent sessions. Taisei rose Y30 to Y492 and Obayashi Y41 to Y691.

Leading high-technology and electrical stocks advanced. Sony gained Y200 to Y11,600, TDK Y110 to Y9,660, Kyocera Y190 to Y9,000 and Canon Y50 to Y3,520. NEC rose Y30 to Y1,560. Yokogawa Electric Y13 to Y899 and Matsushita Electric Industrial Y20 to Y2,330.

Philippines

Source: Datastream/ICV

Car makers were mixed. Nissan gained Y16 to Y756 and Mazda Y4 to Y440, but Toyota fell Y20 to Y3,120 and Honda Y10 to Y3,600.

Banks gained ground. Industrial Bank of Japan rose Y30 to Y1,720 and Dai-Ichi Kangyo Bank Y20 to Y1,480. Hachijuni Bank, the day's most active issue, rose Y30 to Y1,120 on cross-trading.

Among securities houses, Daiwa rose Y21 to Y776, Yamaichi Y21 to Y280 and Nomura Y30 to Y1,700.

In Osaka, the OSE average rose 179.96 to 19,953.77 in volume of 21m shares.

MANILA fell for the fourth session running as foreigners continued to sell blue chips, pushing the main index down 37.03 to 2,535.40. The index fell through its 2,550 support and was at its lowest since July 10.

Brokers said high interest rates were fuelling bearish sentiment.

The central bank had to jack up interest rates last month to defend the Philippine peso from a speculative attacks. Subsequent reductions in rates have not been enough to cheer the market.

Ayala Land, which lost almost 8 per cent on Monday, shed another 0.25 peso to 19.50 pesos. The Philippine Long Distance Telephone tumbled 45 pesos to 855 pesos.

HONG KONG closed lower after a late sell-off in index futures and property stocks. The Hang Seng index finished off 77.06 at 16,383.41 after touching a session low of 16,320.32.

Properties again bore the brunt of the selling with *Cheung Kong HK\$1.50 lower* at HK\$92.25 and Henderson Land down HK\$1.00 at HK\$70.50. Sun Hung Kai came off HK\$2.0 at HK\$99.0.

SYDNEY lost ground for the fourth day running. Dealers said interest rate uncertainty had unsettled sentiment. The All Ordinaries index closed 16.7 lower at 2,650.5 in subdued turnover.

Coca-Cola Amatil fell 36 cents to A\$15.40 and Brambles 29 cents to A\$27.80. Banks moved uniformly lower.

NAB shed 19 cents to A\$19.10, ANZ 23 cents to A\$9.96 and Westpac 15 cents to A\$8.33. Commonwealth *ended off 28 cents at A\$16.37.*

Resource stocks rallied modestly. BHP, a weak market lately following management upheavals, added 1 cent to reach A\$17.02.

WELLINGTON seemed to be hit by a backwash from Australia. The 40 capital *index lost 10.32 at 2,498.08.* NZ Telecom accounted for more than a fifth of the day's total turnover of NZ\$51.2m, easing 4 cents to NZ\$7.54.

TAIPEI was knocked by profit-taking which pushed shares lower across the board.

The weighted index reached a low of 9,759.36 before bargain-hunting saw it recover to a close of 9,807.74, *a loss of 89.53.*

Electronics, down 5.2 per cent on Monday, shed another 0.7 per cent. However, microchip giant Taiwan Semiconductor – the market's top weighted share – reversed its slide, ending up T\$2.00 at T\$158.

Also bucking the trend was China Steel, which rose 30 cents to T\$31.80 despite the news that the government was auctioning 182m state-owned shares. Institutional investors were said have shown strong demand for the shares.

JAKARTA *rebounded* after six days of downturn. The composite index gained 4.78 to 662.95. Interest in Telkom *Indonesia breathed some life* into the market and caused the index to rally from its low of 647.17. Telkom rose R125 to R3,800.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY AUGUST 11 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 8 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	231.72	-0.8	216.99	169.52	223.40	208.98	-1.6	3.65	233.51	218.35	171.04	224.95	212.38	243.87	187.66	198.26
Austria (25)	197.62	-0.8	184.21	144.58	190.52	190.41	-0.7	1.73	199.22	187.14	145.83	191.93	191.82	206.00	174.70	180.69
Belgium (29)	236.08	-0.5	221.81	174.17	229.53	224.99	-0.4	3.04	239.21	224.70	175.22	230.45	225.82	261.11	213.93	217.62
Brazil (30)	286.52	-1.1	267.07	209.61	276.23	572.44	-1.1	1.38	289.60	272.04	212.13	279.00	578.59	322.44	172.54	177.82
Canada (126)	218.93	-1.2	204.06	160.18	211.06	220.91	-1.0	1.63	221.59	208.15	162.31	213.48	223.24	224.03	159.58	159.77
Denmark (32)	385.05	-0.6	358.91	281.70	371.22	389.84	-0.6	1.38	387.43	363.93	283.79	373.25	371.87	421.25	314.62	314.62
Finland (28)	306.45	-0.3	285.64	224.19	295.44	355.94	-0.4	1.54	307.43	288.78	225.19	296.17	357.26	314.06	205.96	207.50
France (83)	226.15	-0.5	210.79	165.44	218.02	221.60	-0.5	2.38	227.23	213.46	166.45	218.92	222.82	237.57	187.30	190.05
Germany (59)	231.21	-0.6	215.51	169.15	222.91	222.91	-0.5	1.26	232.50	218.40	170.30	223.99	223.99	239.42	172.93	175.66
Hong Kong, China (66)	570.27	-1.3	531.55	417.18	549.78	566.86	-1.2	2.71	577.57	542.55	423.07	556.44	574.05	580.03	421.41	424.38
Indonesia (27)	202.65	-3.0	188.89	148.25	195.37	326.08	-2.8	2.00	208.93	196.26	153.04	201.28	333.89	254.90	183.62	191.21
Ireland (17)	373.76	0.1	348.38	273.44	360.34	386.18	-0.1	2.66	373.59	350.93	273.65	359.91	366.64	374.84	284.36	285.50
Italy (53)	97.34	-1.6	90.73	71.21	93.84	131.53	-1.5	1.81	98.92	92.92	72.46	95.30	133.52	105.79	73.26	75.82
Japan (485)	130.65	-2.6	121.77	95.58	125.95	95.58	-3.0	0.82	134.46	126.31	98.49	129.54	98.49	148.58	107.57	145.81
Malaysia (107)	400.34	-4.4	373.15	292.88	385.96	423.08	-2.7	1.64	418.94	393.53	306.87	403.60	434.99	660.85	400.34	544.84
Mexico (27)	1801.81	-0.5	1679.46	1318.18	1737.08	15374.92	-0.6	1.46	1810.34	1700.56	1326.05	1744.08	15466.45	1864.38	1136.59	1237.42
Netherlands (19)	418.75	-2.2	390.32	306.35	403.71	399.32	-2.2	1.96	428.23	402.27	313.68	412.58	406.12	431.66	295.89	296.84
New Zealand (14)	89.24	-0.4	83.18	65.29	86.04	73.80	-1.4	3.94	89.56	84.13	65.60	86.28	74.82	96.47	80.77	82.44
Norway (41)	328.49	-0.7	306.18	240.31	316.69	340.06	-0.3	1.81	330.72	310.67	242.25	318.62	341.09	330.72	246.29	249.63
Philippines (22)	144.09	-3.6	134.30	105.41	138.91	206.08	-3.2	0.99	149.40	140.34	109.43	143.93	212.94	214.07	138.54	195.98
Singapore (42)	346.24	-2.8	322.73	253.30	333.80	236.83	-2.5	1.29	356.05	334.46	260.80	343.02	243.00	448.01	346.24	391.79
South Africa (44)	357.59	-0.1	333.31	261.60	344.74	384.76	-0.1	2.38	357.94	336.24	262.19	344.84	385.24	370.12	301.49	331.90
Spain (33)	244.58	-0.2	227.97	178.93	235.79	290.09	-0.1	2.28	245.10	230.23	178.53	236.12	290.37	276.05	173.01	176.27
Sweden (49)	511.77	0.1	477.02	374.40	493.39	604.35	0.6	1.71	511.21	480.21	374.46	492.50	600.61	511.95	352.11	353.04
Switzerland (33)	309.20	-1.4	288.21	226.20	298.09	291.82	-0.7	1.15	313.66	294.64	229.75	302.18	293.80	329.59	231.69	247.82
Thailand (42)	58.72	-1.2	54.73	42.96	56.61	71.58	-0.9	4.33	59.48	55.86	43.55	57.29	72.23	148.11	47.55	147.96
United Kingdom (213)	314.44	0.8	293.09	230.04	303.14	293.09	0.1	3.45	311.81	292.72	228.25	300.21	292.72	325.28	239.19	239.19
USA (638)	379.82	0.3	354.03	277.87	366.18	379.82	0.3	1.62	378.82	355.85	277.48	364.95	378.82	389.87	264.75	269.51
Americas (921)	347.30	0.2	323.71	254.07	334.82	292.60	0.2	1.62	346.70	325.68	253.96	334.01	292.06	355.95	242.47	246.30
Europe (714)	276.37	-0.2	257.60	202.18	266.44	270.36	-0.4	2.37	277.06	260.26	202.95	266.92	271.44	284.44	212.37	212.37
Nordic (150)	431.23	-0.1	401.95	315.47	415.73	447.12	0.2	1.65	431.91	405.63	318.30	416.01	446.15	437.98	307.34	307.43
Pacific Basin (881)	148.87	-2.8	138.76	108.91	143.52	110.47	-2.6	1.30	152.78	143.52	111.91	147.19	113.48	169.27	127.18	159.12
Euro-Pacific (1595)	202.09	-1.3	188.37	147.84	194.83	170.41	-1.4	1.81	204.66	192.25	149.91	197.17	172.79	209.12	173.56	181.19
North America (764)	369.84	0.2	344.73	270.56	356.55	369.24	0.2	1.63	369.12	346.74	270.38	355.61	368.50	378.38	258.56	262.76
Europe Ex. UK (501)	249.45	-0.9	232.52	182.49	240.49	251.05	-0.7	1.77	251.70	236.44	184.37	242.49	253.78	256.73	181.01	192.81
Pacific Ex. Japan (396)	305.64	-1.7	284.88	223.60	294.66	276.92	-1.7	2.74	310.94	292.08	227.76	299.56	280.68	320.65	280.04	280.11
World Ex. US (1822)	206.36	-1.2	192.34	150.96	198.94	177.50	-1.3	1.69	208.92	198.25	153.03	201.27	179.90	212.89	176.94	182.44
World Ex. UK (2247)	256.71	-0.7	239.28	187.80	247.49	229.75	-0.7	1.58	258.45	242.78	189.31	248.99	231.26	262.69	204.12	206.57
World Ex. Japan (1975)	328.53	-0.1	306.22	240.35	316.73	324.05	-0.1	1.94	328.80	308.87	240.65	316.77	324.46	334.83	242.70	243.93
The World Index (2460)	261.70	-0.5	243.93	191.45	252.30	235.62	-0.6	1.76	263.06	247.11	192.69	253.43	236.98	267.21	207.64	209.42

CONSTITUENT CHANGE WITH EFFECT 18/8/97: Deletion: Almanij (V V P R) (Belgium). Latest prices were unavailable for this edition.